

NEWISSUE

Rating: See "Credit Ratings," herein.

The opinion of Bond Counsel will state the following, under existing law: Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes, assuming continued compliance by the City with the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; interest on the Bonds is taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. See "Tax Exemption" herein.



CITY OF BOSTON, MASSACHUSETTS

\$100,000,000

GENERAL OBLIGATION BONDS, 2002 SERIES A

Dated: February 1, 2002**Due: February 1, as shown below**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2003	\$6,090,000	3.000%	1.540%	2013	\$4,500,000	4.250%	4.320%
2004	6,090,000	4.000	2.250	2014	4,500,000	4.375	4.430
2005	6,090,000	4.000	2.750	2015	4,500,000	4.500	4.550
2006	6,090,000	4.000	3.080	2016	4,500,000	5.000	4.660*
2007	6,090,000	4.000	3.410	2017	4,500,000	5.000	4.750*
2008	5,645,000	4.000	3.620	2018	3,765,000	5.000	4.840*
2009	5,645,000	4.000	3.830	2019	3,765,000	5.000	4.900*
2010	5,645,000	4.000	3.960	2020	3,765,000	5.000	4.970*
2011	5,645,000	4.000	4.060	2021	3,765,000	5.000	5.000
2012	5,645,000	4.125	4.180	2022	3,765,000	5.000	5.020

(Accrued interest from February 1, 2002 to be added.)

(* Priced to the February 1, 2012 Call.)

The payment of the principal of and interest on the Bonds maturing in the years 2014 through 2022, when due, will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds as more fully described herein under "Bond Insurance."

The Bonds will be issued by means of a book-entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company and its participants. Details of payment of the Bonds are set forth in this Official Statement and the Official Notice of Sale dated February 5, 2002 (the "Official Notice of Sale").

Interest on the Bonds will be payable on August 1, 2002 and semiannually on each February 1 and August 1 thereafter until maturity or redemption prior to maturity. The Bonds will be subject to optional redemption at par as more fully described herein under "The Bonds." The Bonds will be issued for various municipal purposes, as more fully described herein under "Authorizations and Purposes."

The Bonds will be valid general obligations of the City for the payment of the principal of and interest on which all taxable property in the City is subject to the levy of ad valorem taxes without limit as to rate or amount as more fully described herein under "Payment of and Security for the Bonds."

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered subject to prior sale pursuant to the Official Notice of Sale, and received by the Underwriter subject to the final approving opinion of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described herein. Public Financial Management, Inc., Boston, Massachusetts, serves as Financial Advisor to the City. First Union National Bank will act as paying agent for the Bonds. It is expected that the Bonds will be available for delivery at The Depository Trust Company in New York, New York on or about February 27, 2002.

February 13, 2002

No dealer, broker, salesperson or other person has been authorized by the City of Boston or the original purchasers of the Bonds to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained herein has been furnished by the City and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the underwriters of the bonds or, as to information from other sources, of the City. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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New Hampshire Residents:

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

OFFICIAL STATEMENT
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
\$100,000,000
GENERAL OBLIGATION BONDS, 2002 Series A

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) provides information concerning the City of Boston, Massachusetts (the “City”), and the \$100,000,000 General Obligation Bonds, 2002 Series A (the “Bonds” or the “2002 Series A Bonds”), to be issued by the City as described herein. Certain credit factors concerning the Bonds are described throughout this Official Statement, which should be read in its entirety. This Official Statement speaks only as of its date and the information contained herein is subject to change after this date.

The Bonds will be general obligations of the City, for the payment of the principal of and interest on which the full faith and credit of the City will be pledged. The Bonds are payable from ad valorem taxes which may be levied on all taxable property in the City without limit as to rate or amount as more fully described under “Payment of and Security for the Bonds” below. The proceeds of the Bonds will be used to fund capital projects, including projects to be financed in accordance with the City’s five-year Capital Plan. See “Financial Administration—Capital Budgeting.” The projects to be financed include construction of, or major renovations to, public buildings, roadways, bridges and parks, the acquisition of certain departmental equipment, and certain neighborhood improvements.

THE BONDS

Description

The Bonds will be dated February 1, 2002 and will mature on February 1 of the years, and in the amounts, and will bear interest calculated on the basis of 30-day months and a 360-day year at the rates shown on the cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2002 and semiannually thereafter on each February 1 and August 1, provided that if such day is not a business day, interest will be payable on the next business day.

The Bonds will be issued by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”) evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Bond certificates will not be available for distribution to the public. Interest on the Bonds will be paid on the interest payment dates and upon redemption, and principal of the Bonds will be paid at maturity or upon redemption, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal and interest payments will be the business day next preceding a debt service payment date. Accordingly, debt service will be payable to participants of DTC, as shown on the records of DTC and its participants, at the close of business on the day preceding such debt service payment date. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

First Union National Bank will act as paying agent for the Bonds (the “Agent”).

Redemption Prior To Maturity

Optional Redemption

Bonds maturing on or before February 1, 2012 will not be subject to redemption prior to maturity. Bonds maturing on and after February 1, 2013 will be subject to redemption prior to maturity at the option of the City, on or after February 1, 2012, as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected by DTC and its participants, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption

Notice of redemption of the Bonds, specifying the numbers and maturities of the Bonds or portions thereof to be redeemed and the redemption date, will be given not less than 30 days prior to the redemption date by notice mailed to DTC or its nominee, as registered owner of the Bonds. The City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. Notice having been given, the Bonds or portions thereof called for redemption will become due and payable on the designated redemption date at par plus accrued interest. If on the redemption date monies are available for the redemption of the Bonds or portions thereof to be redeemed, then interest on such Bonds or portions thereof shall thereafter cease to accrue.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to

securities. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Replacement Bonds Upon Termination or Failure of the Book-Entry-Only System

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Collector-Treasurer of the City determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the Beneficial Owners of the Bonds, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will authenticate and deliver replacement Bonds in the form of fully-registered certificates.

BOND INSURANCE

MBIA Insurance Corporation

The scheduled payment of principal of and interest on the Bonds maturing in the years 2014 through 2022, when due, will be guaranteed under an insurance policy to be issued concurrently with the Bonds by MBIA Insurance Corporation ("MBIA"). Information concerning MBIA and its policy has been furnished by MBIA and is included in Appendix H. The City has not made any independent investigation of MBIA or its policy, and reference should be made to Appendix H for a description thereof and to Appendix I for the specimen form of the policy. The original purchasers will pay the premium for the policy.

AUTHORIZATIONS AND PURPOSES

The Bonds will be issued in the amounts, for the various municipal purposes, pursuant to the statutory authorizations and under loan orders of the City Council effective on the dates set forth in Appendix C. The City, upon consultation with Bond Counsel, may change certain of the purposes for which the Bonds are issued. Such changes, however, if any, will not modify the final maturity schedule or terms of the Bonds as set forth on the cover page.

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds will be valid general obligations of the City, for the payment of the principal of and interest on which the full faith and credit of the City will be pledged. To the extent not paid from other legally available revenues of the City, the Bonds are payable from ad valorem taxes which may be levied upon all taxable property in the City without limit as to rate or amount.

Chapter 643 of the Acts of 1983 of the Commonwealth (the "Bond Procedure Act of 1983") requires

that the debt and interest charges on all general obligation indebtedness of the City (including the Bonds), regardless of the date of issue, if not otherwise provided for, be included in the City's annual tax levy, regardless of the limits imposed by the statewide property tax limitation measure known as "Proposition 2½." The Bond Procedure Act of 1983 mandates assessment of taxes in excess of the Proposition 2½ levy limits to the extent that the debt service on City obligations exceeds the levy limit, with no allowance made for any other expenditures of the City. The provision would not, however, increase the levy limit applicable to the City to the extent that debt service expenses on City obligations to be funded from the levy are less than the applicable levy limit. See "City Revenues—Property Taxes—Proposition 2½." Holders of City obligations do not have a statutory priority with respect to or a security interest in the portion of the tax levy attributable to such obligations. See "City Indebtedness—Classification of City Debt."

In the opinion of Bond Counsel, the City is subject to suit on the Bonds, and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the Bonds from available funds or, in the absence of available funds, to order the inclusion of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Payment of the principal and interest on the Bonds is not secured by or limited to a pledge of any particular revenue source of the City. The Bond Procedure Act of 1983 authorizes the City to pledge to the payment of any of its general obligation notes or bonds all or any part of the revenues of the City derived from any tax, fee, distribution or reimbursement payable to the City (except distributions and reimbursements required by law to be specifically used for statutorily defined purposes), including state aid distributions and the proceeds of the City's annual property tax levy. No obligations are currently outstanding which are secured by such a pledge.

The Bond Procedure Act of 1983 also authorizes the City to issue special obligation bonds payable solely from the revenues of a revenue-producing facility. To the extent required for the payment of any such secured indebtedness, the revenues pledged to its payment would not be available to pay the Bonds. The only special obligation indebtedness of the City outstanding as of January 1, 2002 was \$143.4 million of the City's Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage), Series B. In addition, Chapter 152 of the Acts of 1997, as amended (the "Convention Center Act"), and Chapter 208 of the Acts of 2000 (the "Fenway Park Site Act") authorize the City to pledge certain excise receipts and other revenues of the City to the payment of bonds of the City issued to pay costs of acquisition and preparation of a site for a new convention center in the City and a site for a replacement facility for Fenway Park, the home ballpark of the Boston Red Sox baseball club. General obligation bond anticipation notes in the aggregate principal amount of \$157.8 million are currently outstanding under the Convention Center Act which may be permanently funded from either general obligation bonds or such special obligation bonds of the City. No indebtedness has been authorized to date by the City Council and the Mayor under the Fenway Park Site Act. See "City Indebtedness—Special Obligation Debt."

Except to the extent specifically pledged to the payment of certain indebtedness, state aid distributions to the City are generally available for the payment of bonds or notes of the City, but, under certain circumstances, they may be unavailable to the extent such distributions are applied to the payment of "qualified bonds" issued by the City (none of which bonds have been issued), or to the extent that such distributions may be applied under state law to the satisfaction of unpaid assessments due the Commonwealth from the City for debt issued by the Massachusetts Bay Transportation Authority, the Massachusetts Water Resources Authority, or for obligations of the City issued to the Massachusetts Water Pollution Abatement Trust. See "City Indebtedness—Classification of City Debt." State statutes also provide that certain parking meter receipts may be used only for parking and related purposes and, accordingly, monies derived from this source may be unavailable to pay general obligation bonds and notes issued for other purposes.

Section 19A of Chapter 44 of the General Laws provides, in part, that if the City is or is likely to be unable to pay principal of or interest on any of its bonds or notes when due, it shall notify the state Commissioner of Revenue. The Commissioner shall certify such inability to the state Treasurer. The state Treasurer shall pay the due or overdue amount by the later of three days after the certification or one business day prior to the due date. This payment is limited, however, to the estimated amounts distributable by the Commonwealth to the City during the remainder of the fiscal year. If, for any reason, any portion of the certified sum has not been paid at the end of the fiscal year, the state Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for such fiscal year. The sums so paid shall be charged with interest and administrative costs against the distributions to the City. The

foregoing provisions are not a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the law requiring the Commonwealth to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the state's annual appropriation act is often delayed beyond the beginning of the fiscal year, and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Enforcement of a claim for payment of principal of or interest on the Bonds would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by Congress or the state legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied, and to the exercise of judicial discretion in accordance with equitable principles.

SCHEDULE OF DEBT SERVICE PAYMENTS

The following table sets forth the gross debt service requirements on the City's general obligation bonds outstanding as of January 1, 2002, and on the 2002 Series A Bonds.

Schedule of Principal and Interest Payments (\$ in thousands*)

Fiscal Year Ending June 30,	Bonds Outstanding As of January 1, 2002		2002 Series A Bonds		Total Principal and Interest
	Principal	Interest	Principal	Interest ⁽²⁾	Interest
2002 ⁽¹⁾	\$36,640	\$ 16,031	\$ —	\$ —	\$52,671
2003	79,941	35,185	6,090	4,275	125,491
2004	75,990	31,454	6,090	4,092	117,627
2005	69,750	27,820	6,090	3,849	107,509
2006	56,987	24,583	6,090	3,605	91,264
2007	55,686	21,808	6,090	3,362	86,945
2008	50,437	19,162	5,645	3,118	78,362
2009	49,133	16,722	5,645	2,892	74,391
2010	45,584	14,397	5,645	2,666	68,292
2011	41,250	12,276	5,645	2,441	61,612
2012	39,450	10,274	5,645	2,215	57,584
2013	36,190	8,416	4,500	1,982	51,088
2014	30,175	6,684	4,500	1,791	43,150
2015	26,115	5,295	4,500	1,594	37,504
2016	22,830	3,996	4,500	1,391	32,717
2017	19,110	2,944	4,500	1,166	27,720
2018	16,640	2,060	3,765	941	23,406
2019	13,525	1,238	3,765	753	19,281
2020	8,895	660	3,765	565	13,885
2021	4,095	205	3,765	377	8,442
2022	—	—	3,765	187	3,952
Totals	<u>\$778,422</u>	<u>\$261,208</u>	<u>\$100,000</u>	<u>\$43,262</u>	<u>\$1,182,893</u>

* Rows and columns may not add due to rounding.

(1) Total excludes principal and interest payments made during fiscal 2002 through January 1, 2002.

(2) The first interest payment due on the 2002 Series A Bonds includes accrued interest from February 1, 2002.

Source: City of Boston Auditing Department

Rate of Principal Retirement

Based on the foregoing table, the City will retire the following amounts of principal of its outstanding direct general obligation long-term debt over the following respective periods:

Fiscal Year Ended June 30	Amount (in thousands)	Percentage of Total Principal Amount Retired
2002-2006	\$343,668	39.2%
2007-2011	270,759	30.8
2012-2016	178,405	20.3
2017-2022	85,590	9.7
Total	<u>\$878,422</u>	<u>100.0%</u>

Source: City of Boston Auditing Department

THE CITY

The City, incorporated as a town in 1630 and as a city in 1822, exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth which, as amended, constitute the City's Charter.

The Mayor is the chief executive officer of the City. Thomas M. Menino, the Mayor of the City, was reelected to serve a third four-year term from January 2002 through January 2006. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The portion of the City budget covering appropriations for all departments and operations of the City except the School Department and the Boston Public Health Commission, and for certain activities of Suffolk County, is prepared under the direction of the Mayor. Prior to his first elected term, Mayor Menino had served for approximately four months as acting Mayor. Prior to his service as acting Mayor, the Mayor served on the City Council. He served as Chairman of the City Council's Ways and Means Committee from 1988 to 1992, and was elected President of the City Council in 1993.

The legislative body of the City is the thirteen-member City Council. The City Council enacts ordinances and adopt orders, which the Mayor may either approve or veto. Ordinances and orders, except for orders for the borrowing or appropriation of money, may be enacted by the City Council over the Mayor's veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but the City Council may not increase a budget. For a description of the budget process, see "The City—Budget Process" herein.

The members of the City Council, all of whose current terms will end in January 2004, are set forth below.

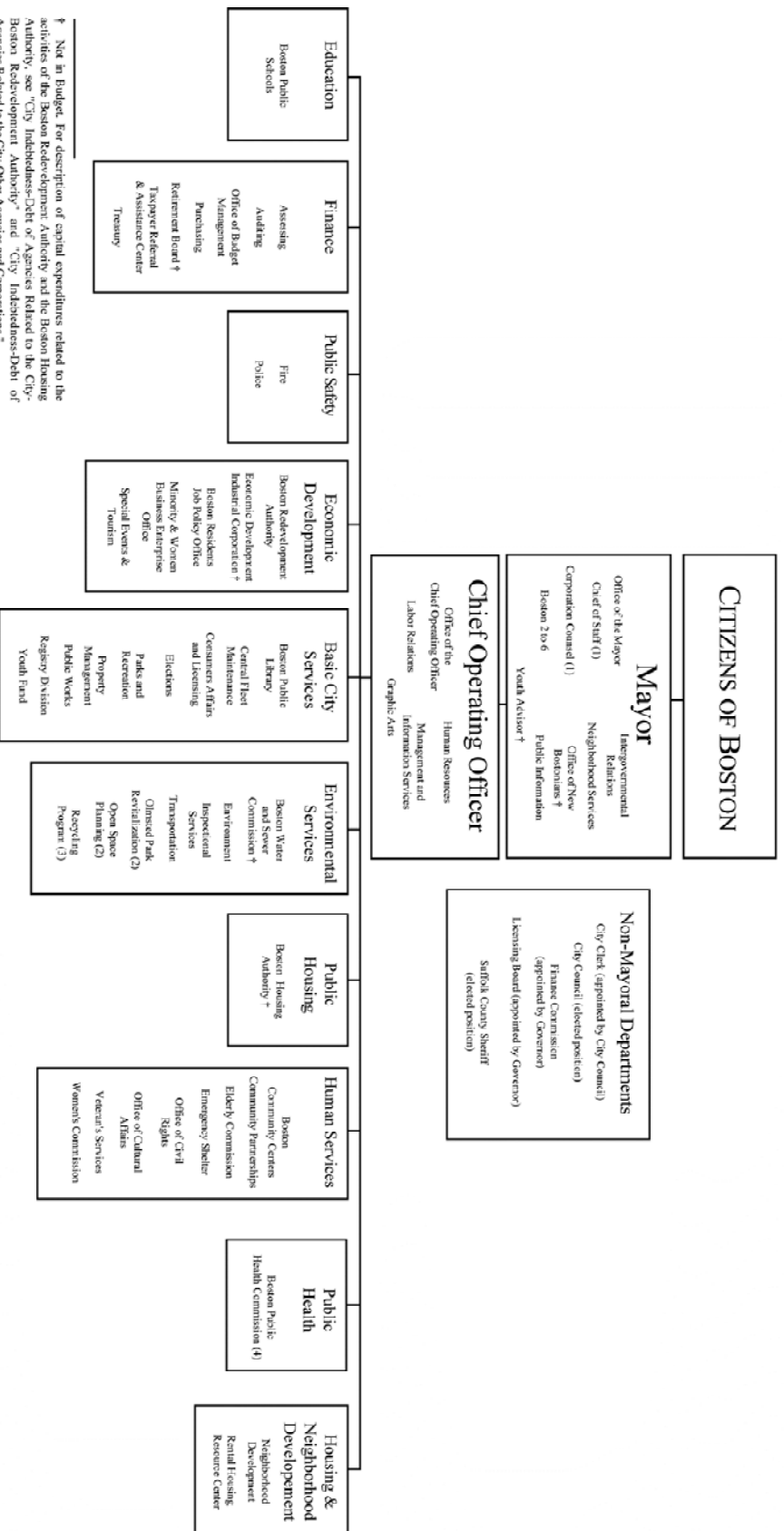
Michael F. Flaherty, Jr. (President).....	At Large
Maura A. Hennigan.....	At Large
Stephen J. Murphy	At Large
Francis M. Roache	At Large
Paul J. Scapicchio	District 1
James M. Kelly	District 2
Maureen E. Feeney	District 3
Charles C. Yancey.....	District 4
Daniel F. Conley	District 5
John M. Tobin.....	District 6
Charles H. Turner.....	District 7
Michael P. Ross	District 8
Brian J. Honan	District 9

Organization of City Government

Mayor Menino established a cabinet form of government to recognize the major functional responsibilities of City government, to facilitate improvements in the conduct of the executive and administrative business of the City, and to eliminate duplication and waste.

The structure of the Mayor's cabinet is set forth in the organizational chart on the following page.

ORGANIZATION OF CITY GOVERNMENT



† Not in Budget. For description of capital expenditures related to the activities of the Boston Redevelopment Authority and the Boston Housing Authority, see "City Indebtedness-Debt of Agencies Related to the City-Boston Redevelopment Authority" and "City Indebtedness-Debt of Agencies Related to the City-Other Agencies and Corporations."

(1) Has cabinet rank.

(2) Programmatically within this cabinet. Financially in Parks and Recreation.

(3) Programmatically within this cabinet. Financially in Public Works.

(4) The Boston Public Health Commission is a body public and corporate and a political subdivision of the Commonwealth created in June 1996 as successor to the City's former Department of Health and Hospitals. See "City Government-Principal Government Services-Public Health."

With the exception of the Superintendent of Schools, the City officials profiled below serve at the pleasure of the Mayor.

Chief of Policy and Planning/Acting Chief of Staff

Peter Welsh has been Chief of Policy and Planning for Mayor Menino since November 1994. Since the departure of the Chief of Staff, Mr. James E. Rooney, in April 2001, Mr. Welsh has taken on the responsibility of both positions. Prior to his appointment by Mayor Menino, Mr. Welsh served in a number of senior management positions since 1983 with the City. These positions included the Director of Administrative Services for the Boston Police Department, the Executive Director of the Inspectional Services Department, and the Director of the City's Central Artery/Third Harbor Tunnel Team.

The Chief of Policy and Planning/Acting Chief of Staff oversees the development and implementation of all policy initiatives for the City. Additionally, the Chief of Policy and Planning/Acting Chief of Staff supervises and directs the operations of the Mayor's office. These operations include scheduling, communications, constituent and neighborhood services and intergovernmental relations. The Chief of Policy and Planning/Acting Chief of Staff also coordinates the actions of the City's cabinet officers and department heads with the Mayor's Office.

Chief Operating Officer

Dennis A. DiMarzio was appointed Chief Operating Officer ("COO") by Mayor Menino in April 1996. Prior to his appointment Mr. DiMarzio was Vice President at Arkwright Mutual Insurance in Waltham, Massachusetts where he served in a number of senior management positions in Real Estate Investments, Insurance Operations, Human Resources and Organizational Productivity and Efficiency. Mr. DiMarzio was appointed Chairman of the Board of Commissioners at the Boston Water and Sewer Commission in July, 1994 and continues to serve in this capacity.

The COO is the key individual responsible for the daily administration of the entire City government. The COO reports directly to the Mayor and oversees the performance of City managers at all levels of City government. In addition, the COO oversees the Human Resources Department, the Office of Labor Relations, the Management Information Services Department, and the Graphic Arts Department. The COO oversees the purchase of health insurance for employees of all City departments and related Commissions. Finally, the COO coordinates the activities of all the other members of the Mayor's cabinet.

Chief Financial Officer and Collector-Treasurer

Edward J. Collins, Jr., was appointed Chief Financial Officer and Collector-Treasurer (the "CFO") by Mayor Menino in June 1996. Prior to his appointment, Mr. Collins had served as Town Manager for the Town of Saugus, Massachusetts. He also served for thirteen years as Deputy Commissioner of the Division of Local Services for the Massachusetts Department of Revenue.

The CFO oversees all of the City's financial matters, including the functions of the Treasury, Assessing, Auditing, and Purchasing Departments, as well as the Office of Budget Management ("OBM"), the State-Boston Retirement Board, and the Taxpayer Referral & Assistance Center. In addition, the CFO is Trustee and Custodian of over 300 City trust funds, and is an *ex officio* member of the Massachusetts Convention Center Authority (the "MCCA"). In his capacity as the City's Collector-Treasurer, Mr. Collins is responsible for supervision of the City's Treasury Department, the collection of revenues due to the City and Suffolk County, management of City borrowings and payment of all amounts due from the City, including amounts due on account of borrowings by the City in the form of either temporary or permanent debt.

The City officials with principal responsibility for its finances, subject to the general supervision of the CFO, are as follows:

Budget Director

Lisa C. Signori was appointed Acting Budget Director by Mayor Menino in March 1999, and was appointed Budget Director in July 1999. Prior to her appointment, Ms. Signori served as Chief of Staff to the CFO. The Budget Director is responsible for the supervision of OBM, which develops and oversees the operating budget for all departments and operations of the City except the School Department. OBM is also

responsible for the City's Capital Plan. OBM prepares and monitors the City's capital budget and coordinates strategic and long-range capital planning for City departments.

City Auditor

Sally D. Glora was appointed by Mayor Flynn in March 1990 as Acting City Auditor, and in December 1990 as City Auditor. Prior to her appointment as Acting City Auditor, Ms. Glora served as the Deputy City Auditor. The Auditor is responsible for monitoring the internal controls, managing grant funds, providing financial reports, maintaining the books and records for the City and Suffolk County, and for approving all payments made by the City and certain activities of Suffolk County. Ms. Glora is an *ex-officio* member of the State-Boston Retirement Board.

Commissioner of Assessing

Ronald W. Rakow was appointed by Mayor Flynn in March 1993. Prior to his appointment, Mr. Rakow served as the Acting Commissioner of Assessing from September 1992 to March 1993. Prior to his appointment as the Acting Commissioner of Assessing, Mr. Rakow served as the Director of Research and Standards for the City Assessing Department. The Commissioner of Assessing is responsible for supervision of the City's Assessing Department and the valuation for purposes of the tax levy of real and personal property located in the City.

Chief Economic Development Officer

Mark Maloney was appointed Chief Economic Development Officer and Director of the BRA in January 2000. Prior to his appointment, Mr. Maloney served as President of Maloney Properties, Inc., a real estate management firm in the housing area. The Chief Economic Development Officer is responsible for planning, zoning, and economic development for the City. The Economic Development Cabinet is comprised of the BRA, the Economic Development and Industrial Corporation ("EDIC"), the Office of Minority and Women Business Enterprises, the Boston Residents Jobs Policy Office, and the Office of Special Events and Tourism.

Chief of Education

Thomas W. Payzant was named Superintendent of the Boston Public Schools by the Boston School Committee in July 1995 and his term extends to December 2005. Prior to his appointment by the Boston School Committee, Dr. Payzant served as the Assistant Secretary of Education for Elementary and Secondary Education, United States Department of Education and he had served as Superintendent of the San Diego Public Schools for ten years. The Education Cabinet is responsible for managing the Boston Public Schools. Among the Education Cabinet's responsibilities is the development of a plan for schools and other City and non-City agencies to develop cooperative programs to guarantee that the best possible resources are available to Boston's children. For a description of the student population, staffing, curricula, and governance of the Boston Public Schools, see "The City—Principal Government Services—Schools" below.

Chiefs of Public Safety

Paul F. Evans, the City's Police Commissioner, and Paul A. Christian, the City's Fire Commissioner, are the Chiefs of the Public Safety Cabinet. Commissioner Evans, a 30-year veteran, was appointed to a second term by Mayor Menino in April 1997, which expires in April 2002. Commissioner Christian was appointed Fire Commissioner by Mayor Menino in November 2001. The Public Safety Cabinet is continuing to improve citywide service-delivery through consolidated and shared resources to provide more effective and efficient public safety services to Boston's communities. Commissioner Christian is responsible for implementing the recommendations of the O'Toole Commission, a study of the Fire Department released in January 2000, as well as emergency management and preparedness program initiatives prompted by the tragic events of September 11, 2001. For a description of Police and Fire Department resources and personnel see "The City—Principal Governmental Services—Public Safety" below.

Chief of Human Services

Juanita Brooks Wade was appointed Chief of Human Services by Mayor Menino in October 1995. Prior to her appointment Ms. Wade served as the Executive Director of the Community Learning Centers Blue Ribbon Commission, where she managed the development process of Boston's School Buildings Capital Master Plan. The Human Services Cabinet is responsible for providing human and other supported services for all of Boston's citizens, and includes the Office of Cultural Affairs, Boston Community Centers, and the Office of Community Partnerships. The Cabinet also includes the Elderly Commission, the Emergency Shelter Commission, the Women's Commission, the Veteran's Services Department, and the Office of Civil Rights, which is comprised of the Fair Housing Commission, the Commission for People with Disabilities, and the Human Rights Commission.

Chief of Public Health

John M. Auerbach became Executive Director of the Boston Public Health Commission (the "Commission") effective February 1, 1998. In that capacity Mr. Auerbach joined the Mayor's cabinet as the Chief of Public Health. Prior to his appointment Mr. Auerbach served as the Assistant Commissioner of the Commonwealth's Department of Public Health, and as Director of the Commonwealth's HIV/AIDS Bureau. The Commission is responsible for the implementation of public health programs in the City and serves as the board of health of the City. The Commission is divided into six programmatic areas. These are: the Emergency Medical Service, which includes the City's ambulances, EMTs and paramedics responding to the "911" emergency system; Homeless Services; Communicable Disease Control; Substance Abuse Services; Community Health; and Child and Family Health. For additional information concerning the Boston Public Health Commission see "The City—Principal Government Services—Public Health" below.

Chief of Basic City Services

Michael Galvin was appointed Chief of Basic City Services by Mayor Menino in August 1994. Prior to his appointment, Mr. Galvin was employed by NYNEX and had previously served as the City's first "executive on loan." The Basic City Services Cabinet consists of the Public Works Department, the Parks and Recreation Department, Central Fleet Maintenance, the Election Department, the Registry Division, the Office of Consumer Affairs and Licensing, the Boston Public Library, the Youth Fund, and the Property Management Department, of which Mr. Galvin is Commissioner, and which includes Code Enforcement, the Animal Control Unit and Municipal Police. Its charge includes investigating opportunities to apply technological innovations to reduce costs or improve the delivery of basic services. For additional information concerning Basic City Services see "The City—Principal Government Services—Other Services" below.

Chief of Environmental Services

Andrea d'Amato was appointed Chief of Environmental Services by Mayor Menino in November 1997. Prior to her appointment, Ms. d'Amato was the Executive Director of Move Massachusetts 2000, a coalition representing a broad base of environmental, business, community and trade organizations. In addition to serving as Chief of Environmental Services, Ms. d'Amato is also Commissioner of the City's Transportation Department, and oversees the City's relationship with the Central Artery/Third Harbor Tunnel Project. The Environmental Services Cabinet is made up of the Environment Department, the Inspectional Services Department, the Transportation Department, the Boston Water & Sewer Commission, the Recycling Program of the Public Works Department, Open Space Planning and Olmsted System Revitalization of the Parks and Recreation Department, and the Sustainable Boston Program. The Chief of Environmental Services works in conjunction with the Massachusetts Bay Transportation Authority (the "MBTA") and coordinates the City's relationship with the Federal Environmental Protection Agency, the state Executive Office of Environmental Affairs, and the Metropolitan Area Planning Commission.

Chief of Housing

Charlotte Golar Richie was appointed Chief of Housing in January 1999. Prior to her appointment, Ms. Richie was State Representative of the Fifth Suffolk District, which includes the City's Dorchester and Roxbury neighborhoods. In her capacity as Chief of Housing, Ms. Richie is the Director of the Department of Neighborhood Development and is responsible for overseeing the Rental Housing Resource Center. The

Department of Neighborhood Development is responsible for business development, homeowner/homebuyer programs, housing development, surplus land and building management and disposition, and certain of the City's capital construction. The Rental Housing Resource Center provides a variety of services to tenants and owners of the City's residential housing stock.

Chief of Public Housing

Sandra B. Henriquez was appointed Chief of Public Housing in December 1996, when Mayor Menino elevated the position of Administrator of the Boston Housing Authority (the "BHA") to the level of a cabinet post. Prior to her appointment as Administrator of the BHA in April 1996, Ms. Henriquez was a principal of Maloney Properties, Inc., a private management firm specializing in the delivery of property management services to resident-controlled and non-profit sponsored housing. The Boston Housing Authority is a public body established under the laws of the Commonwealth of Massachusetts. It is responsible for the financing, construction, operation, and management of public housing for low-income families and individuals.

Corporation Counsel

Merita A. Hopkins was appointed Corporation Counsel in June 1995. Prior to her appointment, Ms. Hopkins engaged in a diversified private legal practice in Boston. The Corporation Counsel has supervisory authority over all City attorneys and legal affairs. The Law Department provides a comprehensive array of legal services including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee and other officials in matters relating to their official duties, and also represents all of the foregoing entities and individuals in litigation of all types. In addition, the Law Department reviews all City and County contracts, pursues claims on behalf of the City through affirmative litigation, and pursues foreclosure proceedings on tax delinquent real property.

Principal Government Services

The following tables show, respectively, the distribution of the City's fiscal 2002 appropriations by primary government functions and departments.

Purposes of City Appropriations—Fiscal 2002[†] (Budgetary Accounting Basis)[‡] (\$ in thousands)

	<u>Amount</u>	<u>Percent of Total Appropriations</u>
General Government	\$ 66,558	3.7%
Public Safety.....	400,827	22.7
Public Works	72,198	4.1
Property and Development	39,202	2.2
Parks and Recreation	15,852	0.9
Library	28,701	1.6
Human Services.....	5,939	0.3
Schools	637,446	36.1
Boston Public Health Commission.....	62,913	3.6
Judgments and Claims	4,100	0.2
County	4,537	0.3
Employee Benefits	108,202	6.1
Current Period Retirement Contributions	135,710	7.7
Debt Requirements	118,315	6.7
State and District Assessments	67,511	3.8
Total.....	<u>\$ 1,768,011</u>	<u>100.0%</u>

(†) Represents the fiscal 2002 Tax Rate budget amended as of December 19, 2001.

(‡) See "Financial Operations – Operating Budgets" for a definition of budgetary accounting basis.

Source: City of Boston Auditing Department and Office of Budget Management.

**Full-Time Equivalent
City Employees By Department ⁽¹⁾**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
<i>City Funded:</i>			
Public Safety ⁽²⁾	4,780	4,735	4,690
Public Works.....	468	455	437
Other City Departments	3,134	3,191	3,204
Boston Public Health Commission	742	732	756
County ⁽³⁾	<u>56</u>	<u>—</u>	<u>—</u>
Subtotal	9,180	9,113	9,087
Schools	<u>8,052</u>	<u>8,235</u>	<u>8,438</u>
Total City Funded	17,232	17,348	17,525
<i>Grant Funded:</i>			
Schools	753	827	820
All Others ⁽⁴⁾	<u>1,515</u>	<u>1,505</u>	<u>1,529</u>
Total	<u>19,500</u>	<u>19,680</u>	<u>19,874</u>

(1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.

(2) Public Safety includes both the Police Department and the Fire Department.

(3) All Suffolk County Registry of Deeds employees became employees of the Commonwealth as of July 1, 1999.

(4) Does not include grants managed by the Boston Public Health Commission.

Source: City of Boston Office of Budget Management.

A description of certain City principal governmental services follows:

Schools

The City's School Department provides both basic education and college preparatory curricula as well as specialized vocational educational programs. The school system enrolled 62,739 students for the 2001-2002 school year, a decrease of approximately 395 students from the preceding school year. Total school staff consisted of 8,438 full-time equivalent, City-funded employees as of January 1, 2001.

Pursuant to Chapter 108 of the Acts of 1992, the City's public schools are under the control of a School Committee which consists of seven members appointed by the Mayor. Members of the School Committee have staggered four-year terms. In addition to appointing the Superintendent of Schools, the Boston School Committee approves the School Department budget for submission to the Mayor, and by and through the Superintendent, determines educational policy, makes all contracts for the purchase of materials for the operations of the schools, and maintains and operates school properties. The Superintendent of Schools has exclusive authority to make appointments and promotions for all teachers and other School Department personnel except for the positions of Community Superintendent, Chairman, Secretary, or Treasurer of the School Committee, School Committee Administrative Assistants, and Special Assistant Corporation Counsels. The School Committee appoints these excepted positions.

Public Safety

The City's Police and Fire Departments provide and promote public safety and protection services, firefighting and fire prevention services.

The Police Department maintains eleven neighborhood police stations and one headquarters building. It also maintains ten support facilities, consisting of the Police Academy, Horse Stables, Firearms Training Range, Harbor Patrol Unit, Fleet Management Unit, Telecommunications Unit, Evidence Management Facility, Property and Supply Warehouse, Special Operations Division, Stress Support Unit and Sexual Assault Unit. Since 1985, seven neighborhood-based police stations have been constructed or restored and reopened. The City's current five-year Capital Plan includes the construction of a new police station in the South End, which was completed in Spring 2001.

The overall crime figures for 2001 (through November) show a 2.0% increase compared to 2000.

The Fire Department maintains 42 facilities consisting of 34 neighborhood fire stations, two marine units, a safety division, a fire investigation unit/maintenance division, a high-pressure pumping station, a training academy, a fire alarm operation division and headquarters. In fiscal year 2001 the Fire Department responded to 77,573 incidents. Of this total, 36,811 responses were calls of an emergency medical nature.

Public Health

Effective July 1, 1996, the City's Department of Health and Hospitals, and the separately chartered Trustees of Health and Hospitals of the City of Boston, were abolished and all assets, liabilities, rights and powers of both were transferred to and assumed by the Boston Public Health Commission established by Chapter 147 of the Acts of 1995. Also effective July 1, 1996, the operations of the City's two hospitals, Boston City Hospital ("BCH"), and the Boston Specialty and Rehabilitation Hospital ("BSRH"), were consolidated with the operations of Boston University Medical Center Hospital ("BUMCH"), a private teaching hospital affiliated with Boston University School of Medicine and located adjacent to the BCH campus. Boston Medical Center Corporation ("BMC"), a private not-for-profit corporation, now operates the consolidated hospitals under the name "Boston Medical Center."

The Boston Public Health Commission is a body politic and corporate and a political subdivision of the Commonwealth. It is governed by a seven-member board, six of whom are appointed by the Mayor, subject to confirmation by the City Council, and one of whom, as the chief executive officer of BMC, serves ex-officio. The board functions as a board of health. The Boston Public Health Commission is a discretely presented component unit for GAAP reporting purposes in the City's annual audited financial statements.

The agreements among the City, the Boston Public Health Commission and BMC effecting the consolidation of the hospitals provide for fixed operating assistance and capital grants from the City to BMC to support hospital operations on the former BCH campus. It is anticipated that the Boston Public Health Commission will require continuing financial support from the City in order to maintain its public health mission and programs.

Other Services

The Public Works Department constructs and maintains highways, sidewalks, street lighting and bridges, and oversees snow removal, street cleaning and refuse removal. The City has executed five contracts for the provision of sanitation, solid waste collection and disposal services for a five-year term beginning July 1, 1997 and ending June 30, 2002. The cost of the fiscal 2001 contracts equaled \$27.5 million, and the estimated cost of fiscal 2002 contracts equals approximately \$28.6 million. The Department also continues to work with the U.S. Coast Guard on the design of a new Chelsea Street Bridge in East Boston. The Boston Water and Sewer Commission ("BWSC"), an independent agency, is responsible for the operation and maintenance of the City's water, and sewer, and storm water drainage systems, the construction of improvements to those systems, and the collection of user charges for its services. See "City Indebtedness—Debt of Agencies Related to the City—Boston Water and Sewer Commission" below.

The Boston Public Library Department operates a central library, 26 neighborhood branch libraries, a downtown business library, and two service buildings. The Parks and Recreation Department manages approximately 2,200 acres of active, passive and historic parkland. The 2,200 acres of land include 259 parks, playgrounds, playing fields, play lots and game courts; 16 historic and 3 active cemeteries; 1 greenhouse facility; and approximately 58,000 street trees.

Suffolk County

The Mayor and City Council serve as the County Commissioners of Suffolk County. Suffolk County includes the cities of Boston, Chelsea and Revere and the town of Winthrop. The Commonwealth has assumed all financial responsibility for the Suffolk County courts, Registry of Deeds, and for the capital costs incurred in the rebuilding of the two county jails. A subsidy of 5.0% of the state-approved budget for the Suffolk County Jail is included in the City's fiscal 2002 budget. As of January 1, 2002, the two jails had a combined total of approximately 2,455 inmates.

Employee Relations

Under Massachusetts General Laws Chapter 150E, most municipal employees in the Commonwealth enjoy the right to join labor unions and bargain collectively over wages and other terms and conditions of employment. The Office of Labor Relations represents the Mayor and the City in all collective bargaining matters with all unions of City employees except School Department employee unions. The School Department's labor relations personnel similarly represent the School Committee and consult with the Office of Labor Relations regarding contract negotiations and other general labor matters. Additionally, the Office of Labor Relations has actively assisted the Boston Public Health Commission in collective bargaining negotiations with its eleven bargaining units and regularly interfaces with the Boston Public Health Commission on labor and employment matters. The Office of Labor Relations provides no such assistance to the Suffolk County Sheriff's Department, which itself manages relations with its employees.

Nearly 90% of the City's non-school department employees are organized into approximately 25 bargaining units represented by various unions. Most of these unions are affiliated with the AFL-CIO. Three large unions, the American Federation of State, County, and Municipal Employees ("AFSCME") Council 93 (approximately 1,700 laborer employees), the Service Employees International Union ("SEIU") Local 285 (approximately 1,300 clerical employees), and the Salaried Employees of North America ("SENA") Local 9158 (approximately 700 middle manager employees) represent the majority of City's non-public safety employees.

Police officers are represented by four distinct unions, the Boston Police Patrolmen's Association ("BPPA"), the Boston Police Superior Officers Federation ("Federation"), the Boston Police Detectives Benevolent Society ("Detectives") and the Boston Police Detectives Benevolent Society, Superior Officers Unit ("Detective Superiors"). Firefighters and Fire Chiefs are divided into two bargaining units represented by a single union: the International Association of Firefighters ("IAFF") Local 718.

For the 1999-2002 collective bargaining cycle the City reached agreement with twenty-four of the twenty-five unions (only SENA Community Centers, whose contract expired in June 2000, has not settled and the City is currently in negotiations with that union). The majority of the City's collective bargaining agreements expire on June 30, 2002. The contracts with the Firefighter's, Teacher's and SENA unions expire in 2003.

Negotiated contracts with these unions have substantially mirrored one another. In the 1999-2002 negotiations, the City achieved significant limits to an employee's contractual right to have an arbitrator determine a particular compensation grade. The City agreed to wage increases of 3% in July 1999; 3% in July 2000 and 3% in October 2001. The City also agreed to provide a comprehensive dental and vision insurance plan with several unions.

The City has negotiated drug testing provisions into many of the collective bargaining agreements, including Typographical Union Local 13, Graphic Arts Union Local 67, and the Graphic Communications International Union Local 600. Further, the National Association of Government Employees (Boston Municipal Police Patrolmen), the Boston Municipal Police Superior Officers Association, and the Boston Police School Traffic Supervisors have all agreed to accept Boston Police Department Rule 111 (drug testing). Additionally, the Municipal Police unions have agreed that officers injured while on-duty may return to work on light duty assignments.

Patrol Officers represented by the BPPA are currently working under the terms of a Memorandum of Agreement covering the July 1, 1996 through June 30, 2002 time period. This groundbreaking six-year agreement consists of a two-year collective bargaining agreement for fiscal years 1997 and 1998 with a 4% base wage increase each year, a three-year collective bargaining agreement with a 3% base wage increase in fiscal years 1999 and 2000 and 0% in fiscal year 2001, and a one-year agreement for fiscal year 2002 with a 0% base wage increase. The structure of the base wage increases takes into account the City's acceptance of the provisions of M.G.L. c. 41, § 108L (the "Quinn Bill") which provides for an educational incentive awards program. Payments made under the program are calculated as a percentage of wages for officers with certain law enforcement degrees certified by the Commonwealth Department of Education. The state statute provides for reimbursement to the City of up to 50% of the cost of the program to be provided by the Commonwealth in the year following the award, subject to appropriation. The agreement with the BPPA caps the City's liability at 50% of the calculated payment in the event the Commonwealth does not provide the appropriation to cover its 50% obligation. The City's acceptance of this statute became effective July 5, 2000 for members of the BPPA. The BPPA agreement also includes major language

initiatives including mandatory annual drug testing, performance evaluations, clarification in certain overtime payments, the ability to alter the paid details system, the ability to civilianize the Operations Division, and increased flexibility in assigning police officers. The City has received arbitration awards from the Joint Labor Management Committee settling the Detectives, the Detective Superiors and the Superior Officers Federation contracts. These awards are substantially similar to the recently negotiated BPPA Memorandum of Agreement. The City and the BPPA are currently before the Joint Labor Management Committee discussing the contractual wage re-opener provision.

The City most recently concluded negotiations with the International Association of Firefighters, Local 718 for terms on two agreements. The first is a one-year agreement beginning July 1, 1999 and ending June 30, 2000. It offered a 4.5% increase in base wages. The second agreement begins July 1, 2000 and extends through June 30, 2003. The agreement contains base wage increases of 4% in fiscal year 2001, 4.5% in fiscal year 2002, and 4% in fiscal year 2003. Further, the contract increased longevity payments and created a new sick leave program. The agreement also contains significant management changes in an effort to improve the efficiency of the Fire Department. Some of those changes include an injury leave/limited duty provision and the creation of two positions, Chief of Field Services and Chief of Support Services, that are exempt from union status.

Boston teachers, teacher aides, school nurses, and substitutes are in a collective bargaining unit represented by the Boston Teachers Union ("BTU"), an affiliate of the AFL-CIO. The City reached a successor contract covering the period of September 1, 2000 through August 31, 2003 with the approximately 5,400 teachers and school nurses as well as the 1,400 substitutes and teacher aides. The contract increased base wages by 4% for each fiscal year of the three-year deal. These increases were agreed to in exchange for significant language initiatives furthering the School Department's commitment to school-based management and teacher development.

Retirement Systems

The City's employees are not participants in the federal social security system. All retirement allowances are paid from a fund supported by employee, City and state contributions. Employee contributions in the form of a mandatory deduction from regular compensation constitute an annuity fund from which the annuity portion of the retirement allowance is paid.

The City participates in a contributory defined benefit retirement system that is administered by the State-Boston Retirement System ("SBRs"). The SBRs provides pension benefits to retired City employees under a state contributory retirement statute, and is administered by a Retirement Board comprised of five members: the City Auditor, who serves *ex-officio*; two individuals elected by members of the system; an individual chosen by the Mayor; and an individual chosen by the other four members or appointed by the Mayor if the other four members do not agree on a selection within thirty days of a vacancy. The City is committed to funding based upon a schedule approved by the SBRs and the state actuary, which includes paying the current year's estimated present value of benefits earned during the year ("normal cost") and an annual contribution toward reducing the unfunded liability to zero by the year 2020. This schedule is calculated in accordance with the entry age actuarial cost method. The schedule is subject to update and approval at least every three years by the state Public Employee Retirement Administration Commission ("PERAC"), a state agency established to oversee all 106 local Massachusetts public retirement systems. The SBRs most recently received approval for a funding schedule for fiscal 2001, 2002, and 2003. The annual appropriation, based on the funding schedule, is a legal obligation of the City that must be included as part of the tax rate certification by the Commonwealth.

Commencing with its fiscal 1999 financial statements, the City adopted the requirements of Statements Number 25 and Number 27 of the Government Accounting Standards Board (GASB) for disclosure in the City's financial statements. In prior years, the City's financial statements presented the obligation in accordance with GASB 5. Beginning January 1, 2000, accumulated assets have been reported using the "asset smoothing" valuation method and will differ from the "Schedule of Funding Progress" in Appendix A. Asset smoothing utilizes a conservative long-term rate of return to determine the actuarial value of assets in determining a funding schedule, thereby avoiding dramatic upswings and downswings inherent in the equity markets. On January 1, 1999, and on previous actuarial reporting dates, assets were reported at market value. During those years, the actuarial value and the market value were considered to be the same.

The cost of living adjustment is set each year at the CPI or an amount up to, but not greater than, 3% on the first \$12,000 of a retiree's annual payment. Cost of living adjustments are considered by the Board on an annual basis. As part of the annual review process, the Board considers the fiscal conditions of the City and whether the granting of a COLA would substantially impair the City's funding schedule. COLA's were approved in 1998, 1999, 2000 and 2001. The Commonwealth, meanwhile, has incorporated in its pension funding schedule sufficient funds to fulfill its obligation for local cost of living adjustments it had awarded prior to fiscal 1998. The funding schedule incorporated a 3% cost of living adjustment into its annual appropriation calculation.

**Schedule of Funding Progress
(Unaudited)
(\$ in thousands)**

Actuarial Valuation Date ⁽¹⁾	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c
January 1, 2001	\$3,212,000	\$4,257,000	\$1,045,000	75.5%	\$990,000	105.6%
January 1, 2000	2,980,000	4,101,000	1,121,000	72.7	943,000	118.9
January 1, 1999	2,772,000	3,793,000	1,021,000	73.1	803,000	127.1

(1) On January 1, 1999 market value and actuarial value were the same. Asset valuation on January 1, 2000 and on January 1, 2001 is reported using the "asset smoothing" valuation method.

Source: City of Boston Retirement Board

The investment performance of the SBRS has been excellent relative to the long-term investment assumption of 8% upon which its funding schedule is partly based, recording a five-year (ending in 2000) average annualized return of 12.57% and an average annualized return from January 1, 1985 through December 31, 2000 of 11.91%. In 2000 the average rate of return for all Massachusetts' public pension funds was -0.57%, and for the SBRS was -0.77%.

In addition to SBRS, the Boston Retirement System, the predecessor system, is funded by the City. This predecessor system has as its members only those active and retired employees whose employment commenced prior to 1946 and who have not elected coverage under the SBRS program. This system is funded on a "pay-as-you-go" basis. In addition to SBRS and its predecessor system, the City also provides noncontributory retirement benefits to certain employees whose employment predates SBRS and its predecessor system or who are veterans who meet certain state law requirements. The City is currently providing such benefits to approximately 398 pensioners.

Amounts expended or estimated to be expended by the City for pension and annuities contributions to SBRS and its predecessor system in the most recent fiscal periods (net of state reimbursements for teacher retirement costs) are as set forth below.

City of Boston Pensions and Annuities Costs
(Budgetary Accounting Basis)
(\$ in millions)

<u>Fiscal Year Ending June 30</u>	<u>SBRS Contributory System</u>	<u>Predecessor/ Noncontributory System</u>	<u>Teachers Pension Reimbursement</u>	<u>Net Pension Cost</u>
2002 Budgeted.....	\$129.7	\$6.0	(\$45.3)	\$90.4
2001.....	127.5	6.3	(41.4)	92.4
2000.....	128.6	5.9	(38.8)	95.7
1999.....	120.3	6.3	(37.3)	89.3

Source: City of Boston Office of Budget Management

Budget Process

The City's fiscal year begins July 1 and ends on June 30 of the following calendar year. Pursuant to state law, the Mayor must submit an operating budget to the City Council by the second Wednesday in April for its review and approval. Proposed appropriations for all departments and operations of the City (except for the public schools and public health services) and certain operations of Suffolk County are prepared under the direction of the Mayor in the Office of Budget Management ("OBM"). The Superintendent of Schools must submit a budget to the School Committee by the first Wednesday in February. The School Committee must approve a budget by the fourth Wednesday in March and forward this budget to the Mayor who may approve or reduce the total recommended budget. The Mayor then submits the school budget to the City Council for appropriation by the second Wednesday in May. In practice, the School Department appropriation request has been presented to the City Council in coordination with the Mayor's operating budget request in April. The Boston Public Health Commission must submit a revenue and expenditure budget for public health services to the Mayor by the second Wednesday in March. If the proposed budget provides for expenditures in excess of the Commission's projected revenues from non-City sources, the Mayor may either approve or reject the budget. If the Mayor accepts the budget, the amount required to fund the revenue deficiency (the "net cost of public health services") is included in the annual budget for the City submitted to the City Council in April of each year. The Commission must adopt its public health services budget by the second Wednesday in June.

The City Council may reduce or reject any item in the Mayor's budget but may not, except upon the recommendation of the Mayor, increase or add an item. After approval of the budget and until the property tax rate is officially determined in mid-December, the Mayor may submit to the City Council such supplementary appropriation requests as are deemed necessary, including supplemental amounts for the School Department and the Boston Public Health Commission. The Mayor may also submit to the City Council supplementary appropriation requests subsequent to the setting of the property tax rate. Under certain circumstances, the Mayor may, by executive order, require expenditures to be limited to an amount less than the appropriated level.

In the event that the City enters a fiscal year without an approved operating budget, the City continues departmental operations on a "one-twelfth" budget, as provided in the City Charter. Under the one-twelfth budget process, (a) payrolls for regular employees cannot exceed the average monthly expenditure of the last three months of the preceding fiscal year, (b) total liabilities incurred in any month cannot exceed amounts spent for similar purposes during any one month of the preceding fiscal year, and (c) monthly expenditures for new departments cannot exceed one-twelfth of their current fiscal year's estimated costs.

The City, County, Boston Public Health Commission and School Department operating budgets for fiscal 2002 were approved by the City Council on June 27, 2001 and July 13, 2001. See "Financial Operations—Fiscal 2002 Budget". The Mayor also initiates loan orders for City Council consideration, based on an annual update of the Five-Year Capital Plan. There is no statutory time frame for requesting or approving such orders. New authorizations related to the fiscal 2002 Five-Year Capital Plan were submitted to the City Council on April 11, 2001, and were approved by the City Council.

By law, the City must establish its property tax rate each year so that the resulting property tax levy complies with the requirements of Proposition 2½. (For a discussion of Proposition 2½, see “City Revenues—Property Taxes—Proposition 2½”.) The amount raised in the tax levy equals the sum of (a) the aggregate of all amounts appropriated, granted or lawfully expended since the last annual tax levy and not provided for, plus (b) all debt and interest charges on general obligation debt of the City maturing during the fiscal year and not otherwise provided for, plus (c) all amounts necessary to satisfy final judgments, plus (d) provision for certain prior years’ deficits, less (e) the aggregate of all non-property tax revenues projected to be received in the City’s General Fund in amounts certified or approved by the Commonwealth for tax rate purposes. In general, the City is required to raise in the tax levy a deficit incurred on a statutory accounting basis in the prior year’s operating budget, or a deficit incurred in the property tax abatement reserves.

Accounting and Reporting Practices

The City engages independent certified public accountants to examine and report on its financial statements in accordance with generally accepted auditing standards. An external Audit Committee, appointed by the Mayor, monitors the progress of the annual audit, reviews the recommendations of the firm and reports the Committee’s activities and recommendations to the Mayor and the City Council.

The City’s audited financial statements and auditors’ report for the year ended June 30, 2001 are presented in Appendix A. The financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The accounts of the City are organized on the basis of funds and account groups. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. For a discussion of the significant accounting policies employed in preparing the City’s financial statements in accordance with GAAP, see Note 2 of the audited financial statements.

GAAP accounting differs from the “statutory” accounting or “budgetary” accounting basis prescribed by the Bureau of Accounts of the Commonwealth, for the annual budget and property tax certification process. The major differences are explained in Note 3 of the audited financial statements.

A five-year comparison of revenues and expenditures for the City’s General Fund on a budgetary basis is included in Appendix B. The statement presents the overall budgetary surplus (deficit) which has two components. The revenue surplus (deficit) is an excess (shortfall) of actual revenue over budgeted revenue. The appropriation surplus (deficit) is an excess (shortfall) of the budgeted appropriations over (under) actual expenditures and encumbrances.

Financial Administration

Pursuant to state law mandates and policy initiatives, the City has established a system of internal management controls. These controls are designed to maximize revenue collections, monitor operating and capital spending, evaluate infrastructure needs, and enhance the City’s internal procedures. Major components of the City’s system of financial management controls include:

Property Tax Collections

The City has achieved a property tax collection rate of 99.3% of the fiscal 2001 Gross Levy as of June 30, 2001. The City’s aggressive enforcement and information-sharing programs have contributed to the marked increase in its property tax collection rate. For data on property tax collections prior to fiscal 2001, see “City Revenues—Property Taxes—Real Estate Tax Levies and Collections.”

Capital Budgeting

The Capital Budgeting Program (“CBP”), a program of OBM, is responsible for managing the capital budget of the City. CBP’s mission is to evaluate the condition of the City’s capital assets, forecast the timing and financial requirements of new construction and rehabilitation, and recommend allocation of current and future resources to meet the City’s infrastructure and capital requirements. Resource availability and capital needs are assessed frequently and appropriate planning responses are taken.

CBP evaluates and refines the relationship between the City’s capital needs and resources as the City moves through each fiscal year. This process is documented by an annually updated five-year capital plan. In April 2001, Mayor Menino released the sixteenth capital plan, incorporated with the operating budget. In

addition to its planning functions, CBP also plays an ongoing project oversight role during the implementation phase of its capital projects. CBP reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources.

Program-Based Budgeting

The City of Boston maintains a program-based budgeting system to track expenditures and service levels by major functions or “programs.” This budgeting system complies with the standards of the Government Finance Officers Association, which has consistently recognized the City’s efforts with its Distinguished Budget Presentation Award.

Debt Management

The Treasury Department manages all City borrowings. The Treasury Department focuses on the timing of borrowings to take advantage of favorable market conditions and manages the City’s cash flows to help obviate the need for short-term borrowings for operating purposes. The Treasury Department has established a series of debt management guidelines that direct the City’s approach toward its debt management activities including rapid debt repayment, the use of a debt capacity model for establishing debt affordability, limitations on the level of variable rate debt the City will employ, maintenance of the relationship between debt and repayment sources, target savings for refundings, and reporting and liaison with the financial community and the rating agencies.

The City uses a comprehensive, interactive debt capacity model that assists debt management administrators in evaluating the potential impact of debt issues on cash flow, credit and statutory debt capacity. The City’s debt burden (net direct general obligation debt to assessed property value of \$54.19 billion) is currently 1.27%, and the City’s net direct general obligation debt per capita was \$1,164.79 as of January 1, 2002.

Financial Management

Financial management is supported through the use of the Boston Administrative Information Systems (BAIS). BAIS is an integrated financial and human resources management system that is designed to track and control daily activities and report the financial position of the City. BAIS performs the specialized functions of encumbrance control, budget control, position management, payroll allotment reporting, fund accounting, and capital project and grant management. Real time edits prohibit excessive commitments and overspending, while on-line access to information, including monthly revenue and expenditure reports, allows department managers to evaluate directly the financial status of individual programs and the entire department. The utilization of these systems support the rigorous monitoring and reporting requirements enforced by the City.

The City of Boston has consistently received unqualified opinions on the audit of its General Purpose Financial Statements and has been presented with a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its Comprehensive Annual Financial Report.

Program Evaluation

The City’s Improving Management Program focuses on evaluating City programs and services. This program encourages organizational changes or operational improvements that increase the effectiveness or productivity of City departments. The program provides reliable, objective and independent information to City managers about department performance and operations, assists in reviewing the effectiveness of service delivery, and identifies the extent to which programs overlap or duplicate one another.

Risk Management

The City of Boston’s Risk Management Program focuses on a planned strategy of self-insurance supported by strong prevention and cost reduction efforts, financial reserves and catastrophic insurance.

The citywide program first focuses on limiting unnecessary asset losses due, for example, to third party legal liability claims, property losses, workplace injuries, employee healthcare and unemployment compensation. The City’s Corporation Counsel defends the City in any lawsuits that arise from the normal

course of operations. Assets and losses are tracked and quantified and areas are targeted for improvement efforts.

The City budgets and funds for the costs described above through the general fund, except for non-HMO healthcare costs which are managed by Blue Cross Blue Shield, and self-insured by the City and employee contributions through a trust fund established and managed in compliance with Section 3A of Chapter 32B of the General Laws.

For unexpected large losses, the City has been continually building a catastrophic risk reserve, which equaled \$5.4 million at the end of fiscal 2001, and has a projected balance of \$6.0 million at the end of fiscal 2002.

To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$400 million all risk protection, after a \$10 million retention.

For fiscal 2002, commercial insurance is also used to cover 60% of the City's healthcare costs through HMO's, and to cover boiler and machinery losses up to \$2.5 million per incident, after a \$50,000 deductible. Any losses related to the City's school buses are insured through the management contractor.

Investment Policy

The City has enacted and annually reviews and updates its investment policy statement that dictates the types of investments made by the City Treasury. The policy also focuses on the appropriate balance of liquidity and the rate of return on investments. Bond proceeds, in conformance with the City's policy, are invested in highly liquid, fully collateralized investments.

FINANCIAL OPERATIONS

Financial Statements

The following information is derived from financial statements prepared by the City and audited by KPMG LLP, an independent certified public accounting firm, in accordance with accounting principles generally accepted in the United States of America.

Summary of Operating Results

The following table is a summary of the City's General Fund operating results as derived from the City's audited financial statements for the period of 1997 through 2001.

Summary of Statements of Revenues, Expenditures, Other Financing Sources and Changes in Fund Equity Fiscal Years 1997-2001 (GAAP Basis) (\$ in millions)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Total revenues	\$1,349.3	\$1,429.7	\$1,526.8	\$1,621.5	\$1,692.7
Total expenditures	<u>1,297.4</u>	<u>1,345.8</u>	<u>1,459.6</u>	<u>1,536.3</u>	<u>1,603.9</u>
Excess of revenues over expenditures	51.9	83.9	67.2	85.2	88.8
Total other financing uses	<u>(22.4)</u>	<u>(46.9)</u>	<u>(33.4)</u>	<u>(41.2)</u>	<u>(43.0)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	<u>29.5</u>	<u>37.0</u>	<u>33.8</u>	<u>44.0</u>	<u>45.8</u>
Fund equity, beginning of year.....	<u>76.4</u>	<u>105.8</u>	<u>142.8</u>	<u>176.7</u>	<u>220.7</u>
Fund equity, end of year ⁽¹⁾	<u>\$ 105.8</u>	<u>\$ 142.8</u>	<u>\$ 176.7</u>	<u>\$ 220.7</u>	<u>\$ 266.5</u>

* Columns may not add due to rounding.

(1) The undesignated fund balances for the General Fund for fiscal 1997, 1998, 1999, 2000, and 2001 were \$67.2 million, \$101.8 million, \$126.5 million, \$163.3 million, and \$182.0 million respectively.

Source: City of Boston Auditing Department.

Comparative Operating Results

The following is a summary analysis of the City's financial operations on a GAAP basis over the period fiscal 1999 through fiscal 2001. The figures appearing in this section for the period are derived from the annual financial statements.

The City's major local recurring revenue sources during this period were real and personal property taxes, payments in lieu of taxes ("PILOTs"), local excises and departmental revenues. Significant amounts of revenue were also received from state aid and other intergovernmental sources. The principal expenditures were for public safety, debt requirements, retirement costs, and the School Department. Reference is made to Appendices A and B for a detailed presentation of the City's financial operations.

Fiscal 1999

Total revenues for 1999 amounted to \$1.53 billion, an increase of \$97.1 million or 6.8% over 1998. Property tax revenues increased by \$38.0 million, due to an increase in assessed value and new growth. State distributions from the Commonwealth increased by 10.2% (\$42.2 million) to \$457.0 million, due most notably from an increase in state education aid revenues and Lottery Aid.

Expenditures for 1999 increased \$113.8 million (8.5%) compared to 1998. Overall, the cost of salary increases and job reclassifications represented a significant portion of this increase. Spending for General Government increased \$10.4 million, due primarily to a \$10.0 million increase in the risk retention reserve for the McKim library flood damages and increased expenditures for Year 2000 preparations. Spending for the School Department increased by \$31.8 million to \$537.6 million. Improvements to technology, increased enrollment in the school system, increases in special education costs, and an increase in the teacher-to-student ratio in Grade 2 across the system contributed to the increase in school spending. Public

safety spending increased by \$30.9 million (9.6%), due to an increase in police programs and accelerated hiring of additional replacement personnel in the Fire Department and other operational increases. Retirement costs increased by \$8.0 million (10.6%) due to a budgetary reclassification in the funding of retirement costs, resulting in an increase in retirement costs to the City and a corresponding decrease in the operating subsidy the City appropriated to the Boston Public Health Commission. Other employee benefits also increased by \$8.2 million (10.8%) due to the rising costs of health insurance and Medicare benefits. Public works expenditures increased 16.4% to \$70.0 million, due to increased contractual costs related to the depression of the Central Artery, and increases in street cleaning and trash collection expenditures. Several of the areas of increased spending reflect the administration's priorities of improving education, enhancing public safety, maintaining its public works, and this year's commitment to Year 2000 readiness.

The General Fund's equity balance as of June 30, 1999 equaled \$176.7 million, as compared to \$142.8 million in 1998. The increase is primarily due to an operating surplus generated by greater revenues than anticipated.

Fiscal 2000

Property tax revenues increased by \$76.7 million, due to an increase in assessed value and new growth. State Distributions from the Commonwealth increased by 4.1% (\$18.9 million) to \$475.8 million, due most notably from an increase in Chapter 70 school related revenues and Lottery Aid.

Expenditures for fiscal 2000 increased \$76.7 million (5.3%) compared to 1999. Spending for General Government increased \$10.8 million, due primarily to a \$8.5 million increase in collective bargaining reserves in the current year. Property and development increased by \$3.4 million (10.8%) primarily due to the expansion of the Capital Construction Division, major HVAC repairs and an increase in volume of assistance grants. Spending for the School Department increased by \$41.0 million to \$578.6 million as a result of ongoing improvements to technology, several new educational initiatives along with an increase in the collective bargaining reserve. Retirement Costs increased \$12.7 million due to an increase in the SBRS contribution.

The General Fund's equity balance as of June 30, 2000 was \$220.7 million, as compared to \$176.7 million in 1999. The increase is primarily due to an increase in property tax revenues of over \$76.0 million.

Fiscal 2001

Revenue growth continued in 2001. The Payments in Lieu of Taxes increase is mainly attributable to the income portion of taxpayer's liabilities on Chapter 121A section 10 (Urban Redevelopment Excise) agreements and Section 6A agreements along with receipt of back payment from tax-exempt organizations. Investment Income increased during the course of fiscal 2001, due to a solid investment policy and combined with increased revenue collections. The Licenses and Permits increase was a result of revenue generated by building permits for commercial (i.e. office towers, hotels, etc.) and residential construction projects undertaken throughout the City. Department and other revenue also increased. This is attributable to reimbursements from retroactive billing of prior year's costs for Municipal Medicaid and increased revenue from parking facilities leased to private operators. Property tax revenues have increased 0.6% from 2000, while State aid has increased 3.7%.

Spending for Public Safety increased \$14.5 million (4.0%) due to collective bargaining wage increases in fiscal 2001. Public Works increased \$7.6 million (10.8%) due to collective bargaining wage increases, increased costs of trash removal and increased snow removal costs, due to heavier snowfall. Property & Development increased \$6.1 million (17.2%) due to Boston's continuing effort to add additional affordable housing. Schools increased \$32.8 million (5.7%) due to collective bargaining wage increases and the development of a transition services program, the Math Support Plan, additional Alternative Education programs and Textbook and Instructional Materials adoption. Other Employee Benefits expenditures rose by \$4.3 million (5.0%), due to the increased cost of health insurance. Retirement Costs decreased by \$11.0 million (11.5%) as the unfunded liability portion of retirement costs fell due to several years of higher market return on investments, along with an increase in Teachers' Retirement reimbursements.

The General Fund's equity balance as of June 30, 2001 was \$266.5 million, as compared to \$220.7 million in 2000. The increase is primarily due to an increase in Departmental and other revenue, licenses and permits and prior year receivables collected for Payment in Lieu of Taxes.

Operating Budgets

In accordance with state law and regulations, the City's legally adopted General Fund budget as shown below is prepared on a "budgetary basis" instead of generally accepted accounting principles ("GAAP"). For purposes of comparison the table below includes budgetary actual results for fiscal 1998 through fiscal 2001, alongside fiscal 2002 budget numbers. Among the key differences between these two sets of accounting principles are that "budgetary" records property tax as it is levied while GAAP records it as it becomes susceptible to accrual, "budgetary" records certain activities and transactions in the General Fund that GAAP records in separate funds, and "budgetary" records as an expenditure any amount raised to cover for a prior year deficit, and as a revenue any available funds raised from prior year surpluses, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. For further details see Appendix A and Appendix B.

Fiscal 2002 Budget Compared to Fiscal 1998, Fiscal 1999, Fiscal 2000, and Fiscal 2001 Actual Results General Fund—Budgetary Basis (\$ in millions)*

	Fiscal 1998 Actual Results	Fiscal 1999 Actual Results	Fiscal 2000 Actual Results	Fiscal 2001 Actual Results	Fiscal 2002 Budget ⁽¹⁾
Revenues:					
Recurring Revenue					
Property Taxes	\$ 782.4	\$ 822.4	\$ 866.2	\$ 917.9	\$ 972.2
Overlay Reserve ⁽²⁾	(50.6)	(42.7)	(41.2)	(43.9)	(46.3)
Excises	67.2	68.0	68.9	72.7	77.0
Fines	46.3	47.5	55.9	59.8	58.3
Interest on Investments	16.7	17.4	21.9	26.1	15.6
Payments In Lieu Of Taxes	19.3	26.5	18.9	25.9	16.1
Urban Redevelopment Chapter 121A	36.8	36.5	37.6	46.9	38.9
Misc. Department Revenue	35.8	44.2	36.0	45.1	39.9
Licenses and Permits	23.4	20.9	28.7	37.8	23.8
Penalties & Interest	9.6	11.0	10.6	8.0	8.5
Available Funds	9.2	3.1	6.7	8.4	11.8
State Aid	414.7	457.3	474.9	483.8	505.2
Teachers' Pension Reimbursement	35.3	37.3	38.8	41.4	45.3
Total Recurring Revenue	\$ 1,446.2	\$ 1,549.4	\$ 1,623.9	\$ 1,729.8	\$ 1,766.1
Non-Recurring Revenue ⁽³⁾	—	—	—	—	1.9
Total Revenues	\$ 1,446.2	\$ 1,549.4	\$ 1,623.9	\$ 1,729.8	\$ 1,768.0
Expenditures:					
Departmental Expenditures					
City Departments	\$ 603.1	\$ 656.8	\$ 671.6	\$ 727.8	\$ 745.7
Boston Public Health Commission	66.7	53.5	58.2	62.1	62.9
County Departments	8.7	7.9	6.1	6.5	4.8
School Department	507.2	543.4	579.2	611.9	637.4
Collective Bargaining Reserve	0.7	2.0	8.5	12.5	1.0
Total Departmental Expenditures	\$ 1,186.3	\$ 1,263.5	\$ 1,323.6	\$ 1,420.9	\$ 1,451.9
Fixed Costs					
Pensions ⁽⁴⁾	\$ 104.8	\$ 120.3	\$ 128.6	\$ 127.5	\$ 129.7
Debt Service ⁽⁵⁾	83.4	92.3	96.5	106.0	118.8
State Assessments	64.2	65.6	67.0	66.8	67.5
Total Fixed Costs	\$ 252.5	\$ 278.1	\$ 292.1	\$ 300.3	\$ 316.1
Total Recurring Expenditures	\$ 1,438.8	\$ 1,541.7	\$ 1,615.7	\$ 1,721.2	\$ 1,768.0
Excess of Revenues Over Expenditures	\$ 7.4	\$ 7.7	\$ 8.2	\$ 8.6	\$ 0.0

* Columns may not add due to rounding.

- (1) Represents the budget at the time of the approval of the tax rate on December 19, 2001.
- (2) The City is required by law to reserve an amount equivalent to between 5% and 6% of each year's net property tax levy in a reserve for property tax abatements. If the City's reserves for abatements prove at the end of the fiscal year to be insufficient to cover the City's abatement liability, the City is required to raise in the following year's tax rate an amount sufficient to generate additional reserves to cover the shortfall.
- (3) Non-recurring revenue in fiscal 2002 represents a portion of the proceeds from the Surplus Property Fund.
- (4) Excludes noncontributory pensions and annuities that are included in departmental expenditures. The amount of such noncontributory pensions and annuities equaled \$6.2 million, \$6.3 million, \$5.9 million, \$6.3 million and \$6.0 million respectively, in fiscal 1998, 1999, 2000, 2001, and 2002.
- (5) The debt service amount is derived from principal and interest, less certain offsetting revenues. The revenues utilized to offset debt for budgetary and tax rate setting purposes vary from those used in the table "Debt Service Requirements—Fiscal 1997-2001." See "City Indebtedness—Debt Service Payments."

Source: City of Boston Auditing Department and Office of Budget Management.

Fiscal 2002

The following is a summary of the City's fiscal 2002 budget on a budgetary accounting basis. The figures cited are from the fiscal 2002 budget at the time of the approval of the tax rate on December 19, 2001. Later updates may occur if and when supplemental appropriations are deemed necessary by both the Mayor and the City Council and sufficient funds are available.

Expenditures

In fiscal 2002, the City's budgeted expenditures total \$1.77 billion including direct expenditures for departmental services and fixed expenses, representing an increase of \$46.8 million or 2.7% from fiscal 2001 actual expenditures. Budgeted fiscal 2002 departmental expenditures compare with fiscal 2001 actual expenditures as follows: City departments increased \$17.9 million or 2.5%; the Boston Public Health Commission increased \$0.8 million or 1.3%; County departments decreased \$1.7 million or 26.2%; the School Department increased \$25.5 million or 4.2%; the Collective Bargaining Reserve decreased \$11.5 million or 92%. Budgeted fixed expenses for fiscal 2002 compare with fiscal 2001 actual fixed expenses as follows: Pensions increased \$2.2 million or 1.7%; debt service increased \$12.8 million or 12.1%; State Assessments increased \$0.7 million or 1.0%.

Revenues

Budgeted revenues for fiscal 2002 equaled \$1.77 billion, an increase of \$38.2 million or 2.2% from fiscal 2001 actual revenues. Selected fiscal 2002 budgeted revenues compare with fiscal 2001 actual revenues as follows: the Property Tax Levy (without the overlay reserve) increased \$54.3 million or 5.9%; Excises increased \$4.3 million or 5.9%; Fines decreased \$1.5 million or 2.5%; Interest on Investments decreased \$10.5 million or 40.2%; PILOTs decreased \$9.8 million or 37.8%; Chapter 121A Distributions decreased \$8.0 million or 17.1%; Miscellaneous Department Revenue decreased \$5.2 million or 11.5%; Licenses and Permits decreased \$14.0 million or 37%; Available Funds increased by \$3.4 million or 40.5%; State Aid increased \$21.4 million or 4.4%; Non-Recurring Revenue increased by \$1.9 million. The increase in Excises is due to approximately \$10.7 million of fiscal 2001 general fund room occupancy excise tax collections remaining in the Convention Center Fund. This action is taken at the option of the Chief Financial Officer at the end of each fiscal year. See "City Indebtedness—Capital Planning and Borrowing Programs—Boston Convention and Exhibition Center." Overall, both general fund and convention center fund room occupancy excise, and jet fuel excise revenues are expected to fall in light of reduced tourism and business activity. The decrease in PILOTs is attributable to prior year's collection of back payments and lower expected payments from the Massachusetts Port Authority whose payment is statutorily derived from excess revenue over costs associated with its operation. The increase in State Aid is due to nearly \$12 million dollars of fiscal 2001 payments arriving late and subsequently posted to fiscal 2002 in addition to an increase of \$8.1 million in state education aid. The decrease in Miscellaneous Department Revenue is due primarily to an expected decrease in municipal medicaid reimbursements and to the inclusion of Library of Last Recourse funding as an estimated receipt only as it is deposited and appropriated later in the fiscal year. The expected decrease in municipal medicaid reimbursements is the result of fiscal 2001 increased revenue from one-time retroactive billing of prior year's costs. The decrease in Interest on Investments reflects falling interest rates and therefore, less return on investment. The decrease in Chapter 121A distributions reflects high prior year payments and the expectation of less revenue from the income portion of liability. The decrease in Licenses and Permits can be attributed to an expected slowdown in building permits after record-breaking fiscal 2001 receipts.

Property tax and state aid will continue to be important to the City's revenue growth. Property tax revenues are expected to rise \$54.3 million in fiscal 2002 after having increased by over \$50 million in fiscal 2001 and over \$40 million in fiscal 2000. The near-term outlook for the City's property tax levy is sustained solid growth. State aid is expected to increase by \$21.4 million in fiscal 2002. See "Sources of City Revenue—Property Taxes—Proposition 2 ½" and "Sources of City Revenue—State Aid."

Pensions

Fiscal 2002 marks the second year of an approved three-year pension-funding schedule. Pension funding costs will increase in fiscal 2002 by \$2.2 million or 1.7%. The rate of return on the investment of pension assets for three calendar years prior to the approval of the new funding schedule exceeded the

assumed rate of return in the pension-funding schedule by a significant margin. These actuarial gains are incorporated into the City's new pension funding schedule with one caveat: the SBRs, with the City's encouragement, has utilized "asset smoothing" in this new schedule, thereby utilizing its conservative long-term rate of return assumption to determine asset value for funding schedule purposes instead of the volatile market rate of return.

Cash Flows

The following table represents the end-of-month unaudited cash balances for the City's General Fund for fiscal 1999 through the first 6 months of fiscal 2002. Prudent cash management policies have enabled the City to avoid the need for short-term borrowings for operating purposes since fiscal 1987.

The cash balances presented do not necessarily reconcile with revenue and expenditures for similar accounts calculated on a budgetary accounting basis or on a basis of generally accepted accounting principles. In order to achieve revenue and expenditure data for a particular fiscal year, the cash flow receipts and disbursement results are subject to normal year-end closing adjustments

General Fund End-of-Month Cash Balances for Fiscal 1999-2002 (Unaudited) (\$ in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
July	\$300,859	\$404,471	\$463,943	\$614,109
August.....	339,052	408,315	503,510	648,352
September	363,115	417,992	506,041	659,778
October	324,631	397,504	499,014	578,666
November	333,470	390,254	499,524	578,712
December.....	367,138	308,927	481,893	527,393
January.....	340,724	394,984	520,855	543,724
February.....	329,959	400,916	541,341	—
March.....	339,966	401,086	521,430	—
April.....	351,806	422,774	528,692	—
May.....	389,258	433,286	532,683	—
June.....	427,590	456,742	592,786	—

Source: City of Boston Treasury Department.

CITY REVENUES

The principal sources of City revenue available to meet operating expenditures are presented below. Except as specifically noted, all amounts are stated on a budgetary accounting basis. References to fiscal 2002 amounts are unaudited.

Property Taxes

Real and personal property taxes are the largest single source of the City's revenue. The City's property tax levy for fiscal 2002 equals \$972.2 million, or 55.0% of City General Fund revenues for such period. Approximately 53.0% of the land area in the City is tax-exempt. Certain properties are subject to arrangements that suspend the imposition of real property taxes at normal rates in order to encourage development. See "City Revenues—Property Taxes—Revenues from Chapter 121A Properties" below.

As discussed below, Proposition 2½ limits the level of property taxation in the City. In fiscal 2002, the City has stabilized well below the 2.5% ceiling on the overall effective tax rate. The recent growth in the real estate market has removed any immediate threat of reaching the levy ceiling.

Proposition 2½

Proposition 2½ is a statewide tax limitation subject to amendment or repeal by the legislature that imposes two separate limits on the annual tax levy of a city or town.

The primary limitation of Proposition 2½ is that the property tax levy in any city or town in the Commonwealth cannot exceed 2.5% of the full and fair cash valuation of the taxable real estate and personal property in that city or town (the "2½ ceiling"). The only exception is the temporary exclusion of debt service or capital costs from the levy ceiling restrictions, as described below.

Within the limits of the 2½ ceiling, a secondary limitation imposed by Proposition 2½ (the "growth limit") is that no levy in a fiscal year may exceed the preceding year's maximum allowable tax levy by more than 2.5%, subject to exceptions for the following: property newly added to the tax rolls and valuation increases other than as a result of a general revaluation ("new growth"); temporary exclusions from the tax levy limitation to pay for capital costs or debt service on indebtedness; and "overrides," which are permanent increases in the tax levy for general expenditures of the city or town. Exclusions and overrides must be approved by a referendum of the voters of the city or town. The levy is permanently increased by the addition of new property to the tax rolls, increases in valuation, and overrides, while exclusion of debt service by referendum temporarily increases the levy in the amount and for the duration of the specific debt excluded. The growth limit may be exceeded by an override in any year by a majority vote of the voters. An increase in the growth limit under this procedure, however, does not permit a tax levy in excess of the 2½ ceiling, since the two limitations apply independently. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The City's gross levy in fiscal 2002 equals \$972.2 million. In fiscal 2002, the allowable 2.5% increase equals \$22.9 million, and "new growth" equals \$31.8 million as certified by the Commonwealth of Massachusetts Department of Revenue.

In order to mitigate its adverse impact on local government revenues, Proposition 2½ limits the annual rate of increase of aggregate, statewide assessments made upon cities and towns by the Commonwealth and certain of its governmental entities, such as assessments made upon the City and certain other cities and towns for the Massachusetts Bay Transportation Authority ("MBTA"), to 2.5% of the prior year's assessment. The MBTA assessments on the City equaled \$62.2 million, \$62.5 million, and \$63.1 million, respectively, in fiscal 2000, 2001 and 2002.

Proposition 2½ also limits the motor vehicle excise tax rate to 2.5%. The City's net receipts from the motor vehicle excise tax equaled \$29.4 million, \$37.0 million and \$41.8 million respectively, in fiscal 1999, 2000 and 2001.

The City's Bond Procedure Act of 1983 mandates assessment of taxes in excess of the Proposition 2½ levy limits to the extent that the debt service on City obligations exceeds the levy limit, with no allowance made for any other expenditures of the City. The provision would not, however, increase the levy limit applicable to the City to the extent that debt service expenses on City obligations to be funded from the levy are less than the applicable levy limit. See "City Indebtedness—Classification of City Debt."

Proposition 2½ Property Tax Levy Limits, Fiscal 1998-2002⁽¹⁾
(\$ in thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total Assessed Valuation	\$33,762,902	\$36,050,449	\$39,930,918	\$50,494,513	\$54,189,508
Levy Limit (Primary)	781,702	819,313	865,866	917,750	972,449
Levy Ceiling (Maximum)	844,073	901,261	998,273	1,262,363	1,354,738
Tax Levy ⁽²⁾	781,625	819,300	865,752	917,750	972,234
Under Levy Ceiling	62,448	81,961	132,521	344,613	382,504

(1) Represents amounts assessed on January 1, and subsequently certified by the Commonwealth's Department of Revenue in December of each fiscal year and does not include Omitted Assessments.

(2) For each fiscal year, the amount of the actual tax levy is the largest amount possible. The levy limit would be exceeded if either the commercial or residential rate were raised an additional cent (\$0.01).

Source: City of Boston Assessing Department

Revaluation

State law mandates a revaluation of all taxable property every three years. These revaluations are reviewed and certified by the Commonwealth. In the years between the revaluations, the Commonwealth permits municipalities to establish new values on the basis of market changes, using the most recent revaluation as a basis. The City has adjusted certified property values in accordance with this procedure in years when market conditions indicated such adjustment was necessary.

The City's seventh three-year revaluation is complete. The City received state certification of this most recent revaluation in December 2000. The property values produced as a result of this revaluation were the basis for assessments beginning in fiscal 2001.

Major Abatement Cases

One Federal Street, an office tower in the City's financial district, has had its assessed value contested for fiscal years 1997-2001. The Commonwealth's Appellate Tax Board heard the case in December 2001; a decision is expected in 2002. The City maintains that no abatement is warranted.

<u>Assessment Date</u>	<u>Certified Triennial Valuations Real and Personal Property Value</u>	<u>Applicable Years</u>
January 1, 2000	\$50.49 billion	fiscal 2001 through 2003
January 1, 1997	33.76 billion	fiscal 1998 through 2000
January 1, 1994	28.12 billion	fiscal 1995 through 1997

Source: City of Boston Assessing Department

Taxation by Use; Tax Rates

The property tax base in the City consists of personal property and classes of real estate. The following table shows the classes of taxable real property assessed as of January 1, 2001. The fiscal 2002 tax rates were applied to the January 1, 2001 valuation to determine levy and tax liability for fiscal 2002.

**Assessed Valuation of Taxable Real Property by
Real Estate Classes, Assessment Dated January 1, 2001**

<u>Real Estate Classes</u>	<u>Land Area (Square feet)</u>	<u>Land Valuation</u>	<u>Building Valuation</u>	<u>Total Valuation</u>
Apartments	26,840,419	\$803,273,463	\$2,227,244,326	\$3,030,517,789
Agricultural	546,757	48,800	148,200	197,000
Commercial	77,110,228	3,611,806,724	12,654,103,406	16,265,910,130
Commercial Condominium	—	72,000	803,415,400	803,487,400
Residential Condominium	—	5,069,800	9,604,827,600	9,609,897,400
Commercial Land	29,549,230	417,912,993	165,491,964	583,404,957
Condominium Main ⁽¹⁾	33,824,791	—	—	—
Condominium Parking	—	251,000	32,995,400	33,246,400
Industrial	49,773,897	500,218,423	579,125,162	1,079,343,585
Residential & Commercial	16,773,739	626,235,822	1,943,060,443	2,569,296,265
Residential Land	37,156,203	130,930,123	5,262,933	136,193,056
1-Family	153,752,527	2,289,084,585	4,795,368,258	7,084,452,843
2-Family	89,584,826	1,325,491,036	3,498,416,819	4,823,907,855
3-Family	58,369,094	990,398,946	3,020,418,709	4,010,817,655
4-Family (4-6 units)	10,737,228	379,659,425	889,360,828	1,269,020,253
Total	<u>584,018,939</u>	<u>\$11,080,453,140</u>	<u>\$40,219,239,448</u>	<u>\$51,299,692,588</u>

(1) Condominium Main represents the total land area of all residential and commercial condominiums and condominium parking units.

Source: City of Boston Assessing Department.

**Tax Rates, Fiscal 1998-2002
(per \$1,000 of assessed value)**

<u>Fiscal Year</u>	<u>Commercial, Industrial and Personal Property</u>	<u>Residential Property</u>
2002	\$30.33	\$11.01
2001	30.17	10.58
2000	34.21	13.15
1999	37.04	13.44
1998	38.45	13.47

Source: City of Boston Assessing Department.

The City has four classes of property for taxation purposes: residential real property, open space land, commercial and industrial. The City has utilized this classification in adopting its fiscal 1983 through fiscal 2002 tax rates. The fiscal 2002 tax rate is \$11.01 per \$1,000 for residential property and \$30.33 per \$1,000 for commercial, industrial and personal property. See “City Revenues—Property Taxes—Real Estate Tax Levies and Collections” below, for information concerning the level of such levies, and their collection.

The fiscal 2002 residential tax rate is slightly higher than the 2001 rate. The rise in the residential rate is attributable to the City’s decision to offer homeowners a substantial increase in the residential exemption. A city or town may exempt a portion of the assessed valuation of residential real property when it is used as the taxpayer’s principle residence. On January 11, 2001 Chapter 403 of the Acts of 2000 was enacted, which authorized the City to offer an increase in the current residential exemption from 20% to 30%. In fiscal 2002, the City offered the 30% exemption for the first time. Qualifying residents who received the residential exemption each had their taxable assessed values reduced by \$80,031. Had the City not adopted the maximum benefit, the residential tax rate in fiscal 2002 would have been lower than the 2001 residential rate.

The residential exemption has no impact on the overall tax rate. The overall tax rate has declined from fiscal 1994 through fiscal 2002.

Taxable property values increased for fiscal 2002. This is the seventh consecutive year the values have increased. See “City Revenues—Property Taxes—Tax Base” below. The overall effective tax rate, which is the product of the total tax levy divided by the total taxable property value, has declined in each of the last seven fiscal years. The overall effective tax rate for fiscal 2002 equals \$17.95 per \$1,000 of assessed value, below the \$25 per thousand ceiling on the overall tax rate imposed by Proposition 2½.

Tax Base

The following table shows, for purposes of year-to-year comparison, the recent assessed valuations with respect to all property in the City subject to taxation.

Assessed Valuations—January 1, 1997-2001 ⁽¹⁾ **(\$ in thousands)***

Assessment Date	Value of Taxable Land	Value of Taxable Buildings	Total Value Taxable Land and Buildings	Value of Taxable Personal Property	Total Assessed Taxable Value
January 1					
2001.....	\$11,080,453	\$40,219,239	\$51,299,693	\$2,889,815	\$54,189,508
2000.....	10,912,499	36,885,787	47,798,286	2,696,228	50,494,513
1999.....	8,616,986	28,666,488	37,283,474	2,647,444	39,930,918
1998.....	8,561,853	25,189,818	33,751,671	2,298,778	36,050,449
1997.....	8,643,479	22,895,209	31,538,688	2,224,214	33,762,902

* Rows may not add due to rounding.

(1) Represents amounts assessed for the fiscal year commencing the following July 1.

Source: City of Boston Assessing Department

The following table is a list of all of the taxpayers in the City that had an aggregate tax liability in excess of \$10.0 million for fiscal 2002. Assessed valuations and fiscal 2002 taxes reflect the valuation of property as of January 1, 2001 and the tax liability using applicable tax rates.

Largest Taxpayers: City of Boston, Fiscal 2002⁽¹⁾

Name	Personal Property ⁽³⁾	Real Property	Total Assessed Value	Fiscal 2002 Tax Liability
Equity Office Properties	\$ —	\$1,908,194,000	\$1,908,194,000	\$65,167,690
Boston Edison Company	1,143,116,630	69,980,000	1,213,096,630	36,581,175
John Hancock Mutual Life Insurance Company	—	749,271,684	749,271,684	22,725,410
BP Prudential	—	705,203,900	705,203,900	21,388,834
Fort Hill Associates	—	644,366,512	644,366,512	19,543,636
World Financial Partners	—	630,495,008	630,495,008	19,122,914
TST One Twenty Five High Street	—	503,178,484	503,178,484	15,261,403
New England Telephone & Telegraph ⁽²⁾	291,060,000	129,340,647	420,400,647	12,750,752
UIDC of Massachusetts, Inc.	—	418,987,496	418,987,496	12,707,891
Equitable Federal Street Realty Company	—	387,936,000	387,936,000	11,766,099
Dewey Square Tower Associates	—	364,832,012	364,832,012	11,065,355
Clarence W. Peterson (One Federal Street)	—	334,217,000	334,217,000	10,136,802

(1) The methodology used in creating this table involves the search of the title holder of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage of ownership in a particular parcel.

(2) New England Telephone & Telegraph Co. (NE T&T) is the owner of record of the property used to calculate these numbers. NE T&T is now Verizon.

(3) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. There are three general types of personal property that are taxable: business and professional furnishings; household furnishings in property other than the principal residence (for example, a summer house), and personal property of public utilities.

Source: City of Boston Assessing and Treasury Departments.

Real Estate Tax Levies and Collections

The following table shows the level of property tax levies, tax levies net of budgeted reserves for abatements ("Net % Gross"), the gross amount and proportion of each levy collected during the year of levy, the cumulative amount (net of refunds) and proportion of each levy collected as of June 30, 2001 and the total amount (net of refunds) of taxes (current and all prior levies) collected during fiscal 1997 through 2001. Excluded from the following table are receipts from PILOTs and receipts on account of Chapter 121A corporations.

Tax Collections In Relation To Property Tax Levies Fiscal 1997-2001
(Statutory Accounting Basis)
(\$ in millions)

Fiscal Year	Tax Levy			Tax Levy Collected Within year of Levy			Tax Levy Net of Refunds Collected As Of June 30, 2001			All Taxes Collected In Fiscal Year ⁽¹⁾
	Gross	Net	Net %	Gross Amount	Gross Levy %	Net Levy %	Net Amount	Gross Levy %	Net Levy %	Net Amount
2001	\$915.8	\$874.0	95.4%	\$909.0	99.3%	104.0%	\$902.9	98.6%	103.3%	\$904.2
2000	866.2	823.9	95.1	854.8	98.7	103.8	847.4	97.8	102.9	849.4
1999	822.4	779.7	94.8	801.4	97.4	102.8	798.2	97.1	102.4	800.9
1998	782.2	745.2	95.3	763.6	97.6	102.5	758.9	97.0	101.8	762.6
1997	749.6	711.6	94.9	728.6	97.2	102.4	721.2	96.2	101.3	734.5

(1) Includes the total amount of taxes (current levy, all prior levies, and tax titles), net of refunds, collected during each fiscal year since 1997.

Source: City of Boston Treasury Department.

The City's property tax bills are mailed quarterly in July, October, December, and April. The bills sent out in July and October represent preliminary tax bills each equal to one quarter of the previous fiscal year's liability. The fair cash value of the property or assessment for the purpose of determining the new fiscal year tax liability is reflected in the third and fourth quarter bills, which are mailed in December and April.

Revenues from Chapter 121A Corporations

A local government in cooperation with its redevelopment authorities may suspend the imposition of real property taxes at normal levels on properties determined to be "blighted" in order to encourage redevelopment of such properties by special corporations organized under Chapter 121A ("Chapter 121A Corporations"). The City receives three forms of revenue from Chapter 121A Corporations. The first consists of excise PILOTs for each Chapter 121A Corporation that are collected by the Commonwealth and distributed to the City. The second form of revenue is contract payments resulting from agreements that may be entered into between the Chapter 121A Corporation and the City relating to City services available to the development. A third form of revenue does not generate significant payments.

Revenue received by the City from Chapter 121A Corporations for the last three fiscal years are shown in the following table:

Revenues To The City From Chapter 121A Corporations
(\$ in thousands)

Fiscal Year Ended June 30	Excise Payments In Lieu Of Taxes (Section 10)	Contracts Payments (Section 6A)	Total
2001	\$32,827.2	\$ 14,048.2	\$46,875.4
2000	27,266.5	10,381.0	37,647.5
1999	27,087.8	9,420.7	36,508.5

Source: Office of Budget Management and Auditing Department.

Delinquent Taxes and Tax Titles

Real and personal property taxes (not including motor vehicle, the room occupancy and the aircraft fuel excises) are based on values established by the Assessing Department as of each January 1 and, beginning in fiscal 1992, are due in quarterly payments every August, November, February and May. Delinquent real estate and personal property taxes are subject to a 14% per annum interest charge. Subsequent to the end of the fiscal year in which real estate taxes become delinquent, the City secures its lien for such taxes by taking legal title to all delinquent properties, subject to the owners' right of redemption. After this process, known as a "tax taking," is complete, interest accrues on outstanding amounts of delinquent real estate taxes at the rate of 16% per annum. If the taxes remain unpaid for a period of six months from the tax taking, the City may petition the Land Court to foreclose the equity owner's right of redemption. Upon foreclosure, the City may then sell the property in order to liquidate the tax liability. The City estimates that the value of the properties to which such tax titles are attached is substantially less than the amount of delinquent taxes, charges, and interest owed.

Tax title receipts were approximately \$23.1 million, \$21.2 million and \$14.4 million, respectively, in fiscal 1999, 2000, and 2001.

Excise Revenues

Room Occupancy Excise

The City currently has in effect a local room occupancy excise upon the transfer of occupancy of any room in a hotel, lodging house or motel. The Commonwealth collects this tax and distributes it to the City quarterly. The City's room occupancy excise receipts totaled \$25.1 million, \$27.8 million, and \$29.8 million, respectively, in fiscal 1999, 2000, and 2001.

Pursuant to the Convention Center Act the City has established the City of Boston Room Occupancy Excise Fund to provide for the payment of the principal of and interest on indebtedness issued by the City to fund the City's costs of the Boston Convention and Exhibition Center Project (the "BCEC Project"). See "City Indebtedness—Capital Planning and Borrowing Programs—Boston Convention and Exhibition Center."

Of the \$29.8 million in room occupancy excise taxes collected in fiscal 2001, \$14.8 million was retained in the Room Occupancy Excise Fund, and \$15.0 million was transferred into the General Fund. In fiscal 2000 \$3.9 million of the \$27.8 million in room occupancy excise taxes collected was retained in the Room Occupancy Excise Fund and \$23.9 million was transferred into the General Fund. In fiscal 1999, \$2.3 million of the \$25.1 million in room occupancy excise taxes collected was retained in the room occupancy excise fund and \$22.8 million was transferred into the general fund.

Aircraft Fuel Excise

The City also assesses an aircraft fuel excise upon the sale or use of jet fuel. The Commonwealth collects this tax and distributes it to the City semi-annually. The City's aircraft fuel excise receipts totaled \$15.5 million, \$7.6 million, and \$15.3 million, respectively, in fiscal 1999, 2000, and 2001.

Motor Vehicle Excise

The Commonwealth assesses an excise on the registration of motor vehicles, the proceeds of which are received by the municipality of residence of the registered owner. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. The City's annual motor vehicle receipts totaled \$29.4 million, \$37.0 million, and \$41.8 million, respectively, in fiscal 1999, 2000, and 2001.

Vehicular Rental Surcharge

The Commonwealth imposes a \$10 surcharge on each vehicular rental transaction contract in the City. One dollar of each surcharge is paid to the City for deposit in the City's Room Occupancy Excise Fund for application to the payment of the principal of and interest on indebtedness issued by the City to fund the City's costs of the BCEC Project. The City's cumulative share of the surcharge as of June 30, 2001 was approximately \$3.8 million. See "City Indebtedness—Capital Planning and Borrowing Programs—Boston Convention and Exhibition Center."

Departmental Revenues

Several City departments generate significant revenues from fees and charges.

Parking Fines

The City's annual parking fine receipts totaled \$45.1 million, \$53.6 million, and \$55.5 million respectively, in fiscal 1999, 2000, and 2001.

Public Works Rents and Permit Fees

The Permit Branch of the Public Works Department rents the City's right-of-way to fiber optic cable companies and charges permit fees for street occupation permits. The City's annual Public Works rents and fees totaled \$3.7 million, \$4.6 million, and \$4.9 million, respectively, in fiscal 1999, 2000, and 2001.

Building Permit Fees

The Inspectional Services Department performs a variety of functions, such as the granting of building permits, for which fees are imposed. The City's annual building permit fees totaled \$11.4 million, \$18.5 million, and \$27.2 million, respectively, in fiscal 1999, 2000, and 2001.

Investment Income

The City's annual investment income averaged \$21.8 million during the three-year period from fiscal 1999 through fiscal 2001. These earnings are the combined results of cash balances and short-term interest rates. The City's investment income equaled \$17.4 million, \$21.9 million, and \$26.1 million, respectively, in fiscal 1999, 2000, and 2001.

Taxi Medallion Proceeds

The Convention Center Act provides that all taxi medallions (licenses) issued by the City's Police Commissioner be issued by public auction, sale or other competitive process. Proceeds from the issuance of the first 260 medallions sold after the effective date of the Convention Center Act have been or will be deposited and retained in the City's Room Occupancy Excise Fund, and will be applied to pay or provide for the principal of and interest on indebtedness to be issued by the City to fund the City's costs of the BCEC Project. To date, the Commissioner has sold 235 medallions at an aggregate price of approximately \$36.0 million. The Commissioner expects to sell an additional 25 medallions during fiscal year 2003 or 2004. See "City Indebtedness—Capital Planning and Borrowing Programs—Boston Convention and Exhibition Center."

State Aid

State aid to cities and towns in the Commonwealth, with few exceptions, is subject to annual appropriation by the state legislature. Existing state laws limit state tax revenues, however, and thus potentially limit the amounts available to the Commonwealth for distribution.

State aid to the City's General Fund has increased every year since fiscal 1993 and is budgeted to increase by \$21.4 million in fiscal 2002 to \$505.2 million, a 4.4% increase over fiscal 2001.

In addition to state aid, the City receives a reimbursement for the cost of teachers' pensions. Teachers' pensions are paid directly by the State Teachers Retirement System for all teacher retirees in the state other than those who retire from the Boston school system. In their case, pensions are paid by the State-Boston Retirement System, funded by the City, and the City is reimbursed by the Commonwealth on an actual pension payout basis. The City received \$37.3 million, \$38.8 million, and \$41.4 million, respectively, in fiscal 1999, 2000, and 2001. The City will receive approximately \$45.3 million in fiscal 2002. See "The City—Retirement Systems."

The level of state aid distribution to the City in any given year is dependent on a number of factors, including the current outlook on the balancing of revenues and expenditures in the state budget, the output of various formulas which determine the level of some but not all state aid, and the policy priorities of the state legislature and the Governor. Particularly, the Commonwealth made a significant shift in state aid policy beginning with the fiscal 1993 budget, directing the major increases in state aid to education and focusing on the goal of equalizing local education funding. Fiscal 2000 was the final year of the

Commonwealth's long-term effort to equalize and reform local public education statewide. The City's education aid increases equaled \$34.3 million, \$7.9 million, and \$11.4 million, respectively, in fiscal 1999, 2000, and 2001. The City is expecting an \$8.1 million increase in education aid in fiscal 2002.

In addition to direct state aid the City's financial relationship with the Commonwealth also includes education grants, state funded cost of living adjustments approved prior to fiscal 1998 by the legislature for municipal retirees, and the assumption by the Commonwealth of 100% of the capital costs and approximately 95% of the operating costs associated with the Suffolk County Jails. These payments are governed by state law and are subject to annual appropriations. See "City Revenues—Grants—State Grants" below.

The state Treasurer is empowered to deduct from state aid amounts appropriated to the City the amount of the City's MBTA assessment, any debt service paid by the Commonwealth on "qualified bonds" of the City, and any sums allocable to the Boston Water and Sewer Commission or the City that are due and unpaid on debt issued to the Massachusetts Water Pollution Abatement Trust. Moreover, under the Massachusetts Constitution and state finance law, the state Treasurer has the authority to delay the allotment of state aid appropriations under certain circumstances. In addition, the statute governing the Commonwealth distribution of school aid (which constitutes a portion of the state aid distribution) provides that such payments are due only to the extent that sufficient funds are available therefore. Since June 1990, state distributions have been made quarterly and on a timely basis. The MBTA assessments to the City equaled \$62.2 million, \$62.5 million, and \$63.1 million, in fiscal 2000, 2001 and 2002 respectively.

A key component of the Commonwealth's education reform efforts are the charter schools, public schools administered independently from local school committee and teacher union rules and regulations and Horace Mann Charter schools which have their charters and budgets approved by local school committees. Cities and towns are reimbursed 100%, 60%, 40% and 0% of the increases in costs of charter school tuition over a four-year period.

There are currently 36 Commonwealth charter schools in Massachusetts, with a total enrollment of 13,823 for fiscal 2002. Nine of these are operating in Boston. The City has 2,837 students enrolled in charter schools with a total tuition cost to the City of \$27.2 million projected for fiscal 2002. In addition to these Commonwealth charter schools, there are a total of six Horace Mann charter schools currently operating in Massachusetts. Two of these six are operating in Boston during fiscal 2002.

Grants

The City receives both federal and state grant funds, some of which are determined according to formulas, and others that are awarded competitively. These monies are recorded in special revenue funds.

Federal Grants

Some major sources of federal grant funds in fiscal 2001 included: the Community Development Block Grant (CDBG) entitlement program, which awarded \$25.6 million to the City; the Home Investment Partnership Program (HOME), which awarded \$7.6 million to the City; the Supportive Housing Program furnished \$9.6 million in federal funds. In addition to receiving formula funds like CDBG and HOME, the City received over \$3.5 million from federal grant sources for law enforcement programs during fiscal 2001. The Boston Public Schools also received approximately \$34.7 million from federal grant sources during the 2001 fiscal year. Of these, the major programs were: Title I Elementary & Secondary Education Act of 1965 grants, which totaled \$24.0 million, and the school lunch program, which provided \$22.8 million.

State Grants

Some major sources of state grant funds in fiscal 2001 included \$78.6 million to support the operation of Suffolk County Sheriff's Department. In fiscal 2001, the Boston Public Schools received approximately \$22.1 million from state grant sources. Of these, some of the major programs were: Community Partnership Grants, which totaled \$15.0 million, and Chapter 636, Sections 1 & 8 grants, which totaled \$5.2 million.

Other

Leased Parking Facility Revenues; Sale of Surplus Properties Revenues

Pursuant to lease agreements between the City and various private parking operators, the City receives rentals from leased parking facilities. Twenty percent of these receipts are designated by statute for maintenance and renovation of the parking facilities. The remaining amount goes into the City's General Fund. During fiscal 1999, 2000, and 2001, \$0.8 million, \$1.7 million, and \$2.2 million, respectively, were deposited into the City's General Fund from this source.

Under state law, proceeds of the sale of City facilities must be applied to the Surplus Property Disposition Fund to be used to finance capital projects, unless the City Council, with the approval of the Mayor, votes to credit to the General Fund the difference between the sale proceeds and the amount of debt (both principal and interest) incurred in acquiring or improving the sold facility. As of June 30, 2001 there was \$42.6 million remaining in the Surplus Property Disposition Fund. The former Berkeley Street police headquarters has been declared surplus property by the City Council. A Request for Proposals was created and a developer has been selected. The current plan calls for the building to be converted into a hotel.

State School Construction Assistance

In July 2000, the state legislature repealed the former school construction aid program and enacted Chapter 70B of the General Laws ("Chapter 70B"). The range of reimbursement rates under Chapter 70B remains unchanged although the method of determining the appropriate rate is different. Previously, the reimbursement rate was fixed by statute for each city and town. Under Chapter 70B, a formula involving equalized property valuations, per capita income, the percentage of low-income students in the school district, certain incentives and approved desegregation plans are key factors.

CITY INDEBTEDNESS

Classification of City Debt

Direct general obligation debt of the City is debt for which the City's full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount. General obligation bonds of the City may also be secured in certain circumstances by a pledge of specific City revenues. The special obligation debt of the City is debt which may be secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City or for the payment of which the City's obligation is subject to annual appropriation.

General Obligation Debt

On June 30, 2001, the City had outstanding approximately \$823.8 million of general obligation long-term bonds, all of which bear fixed rates of interest. On January 1, 2002, the City had approximately \$778.4 million of such bonds outstanding. In addition, on January 1, 2002 the City had \$157.8 million of general obligation bond anticipation notes relating to the BCEC Project outstanding and \$25.0 million of general obligation bond anticipation notes to support school construction projects.

The City is authorized to secure any of its general obligation indebtedness by a pledge of all or any part of any revenues of the City including, without limitation, any tax, such as real property taxes, any fees payable to or for the account of the City, and certain receipts, distributions and reimbursements held or to be received by the City from the Commonwealth. The City currently has no general obligation bonds or notes outstanding secured by such a pledge.

Debt Limits

All debt of the City requires the authorization of the City Council and approval of the Mayor. If the Mayor vetoes a loan order passed by the City Council, the charter of the City provides that the loan order is void and may not be passed over the Mayor's veto. Authorization of bonds under a loan order of the City Council includes, unless otherwise provided, the authorization to issue temporary notes in anticipation of such bonds.

The statutory debt limit for the City consists of a debt limit and a double debt limit. The debt limit is 2.5%, and the double debt limit is 5.0%, of the valuation of taxable property in the City as last equalized by the state Department of Revenue. The equalized valuation of taxable property in the City, approved on April 17, 2001 for use until June 2003 equals \$45.86 billion. The new equalized value of taxable property will be issued for January 2003, but will not be released until approved by the state legislature. Based on the current equalized valuation, the City's debt limit equals approximately \$1.15 billion, and its double debt limit equals \$2.29 billion.

The City may authorize debt up to its debt limit without state approval. The City may authorize debt over the debt limit up to the double debt limit with the approval of the state Emergency Finance Board ("EFB"). The EFB increased the City's debt limit by \$100 million. The EFB's approval of this increased debt limit will remain effective until it is rescinded upon request of the City. As of June 30, 2001, the City had outstanding debt of \$527.8 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$319.9 million. Based on the City's current debt limit of \$1.15 billion, the City had the capacity to authorize an additional \$398.7 million of debt as of June 30, 2001. As of January 1, 2002, the City's remaining debt incurring capacity equaled \$322.0 million, reflecting \$111.7 million in new loan authorizations approved, and \$35.0 million of principal payments made.

Debt Limit
As of June 30, 2001 and January 1, 2002
(\$ in thousands)

	<u>Debt Limit</u>
Debt Limit	\$1,146,458
Additional Debt Limit ⁽¹⁾	<u>100,000</u>
	1,246,458
Less Debt Outstanding as of June 30, 2001 ⁽²⁾	(527,811)
Less Debt Authorized but Unissued as of June 30, 2001	<u>(319,916)</u>
Available Capacity under debt limit as of June 30, 2001	398,731
Less Debt Authorized in fiscal year 2002.....	(111,708)
Plus Principal Debt Payments through January 1, 2002	<u>34,994</u>
Debt incurring capacity as of January 1, 2002 ⁽³⁾	<u>\$ 322,017</u>

- (1) The Commonwealth's Emergency Finance Board approved \$100 million of debt capacity from the Double Debt Limit on December 10, 1997.
- (2) The laws of the Commonwealth of Massachusetts provide for general debt limits for the City, consisting of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 2.5% of the assessed valuation of taxable property in the City as last equalized by the State Department of Revenue, and may authorize debt up to this limit without State approval. The City can also authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Emergency Finance Board.
- (3) The debt authorized but unissued as of January 1, 2002 and City Council authorizations during fiscal 2002 are reported for purposes of the computation of legal debt margin with in the Normal Debt Limit.

Source: City of Boston Auditing Department.

Outside Debt Limits

There are many categories of general obligation debt which are not subject to the debt limit. Some such debt is, however, subject to other debt limits, dollar limitations or state approval. As of June 30, 2001, the City had outstanding long-term debt exempt from the debt limit of \$296.0 million, and authorized but unissued long-term debt exempt from the debt limit of \$415.2 million, including \$157.8 million authorized by the Convention Center Act. The City currently has \$157.8 million of bond anticipation notes outstanding under the Convention Center Act which mature May 1, 2002. As described below, the City is also authorized by the Fenway Ballpark Site Act to issue up to \$140 million of bonds exempt from the debt limit to finance costs of land acquisition and site preparation for a proposed replacement facility for Fenway Park. As of the date hereof no indebtedness has been approved by the City Council or the Mayor under that act. Audited numbers as of June 30, 2001 include other components of debt exempt from the debt limit: the Gardner St. Landfill - \$13.7 million, the EDIC - \$8.7 million, the Boston Redevelopment Authority ("BRA") - \$34.6 million, the Capital Improvements Act of 1966 - \$0.2 million, the Capital Improvements Act of 1973 - \$37.6 million, the Capital Improvements Act of 1991 - \$66.2 million, the Capital Improvements Act of 1996 - \$72.1 million, and the School Project Loan Act of 1948 - \$63.4 million.

Authorized But Unissued Debt

The following table sets forth the amounts and purposes of authorized but unissued general obligation debt of the City as of June 30, 2001 and January 1, 2002. See "Appendix C—Authorization and Purposes."

Authorized But Unissued Debt As of June 30, 2001 and January 1, 2002

	Statute	Authorized / Restated Authorizations 6/30/01	Authorizations Approved In Fiscal 2002	Authorized / Authorized/ Unissued 1/1/2002
GENERAL PURPOSE:				
Acquisition of Land; Outdoor Facilities	C44 s7 (25)	\$ 45,857,570	\$ 15,235,000	\$ 61,092,570
Acquisition of Land; Cemetery Improvements	C44 s7 (20)	1,186,553	—	1,186,553
Acquisition of Land; Landfill Area	C44 s8 (24)	3,017,867	—	3,017,867
Departmental Equipment	C44 s7 (9)	12,740,718	5,461,000	18,201,718
Remodeling Recon Rehab - FireFighting App	C44 s7 (9A)	126,905	—	126,905
Equipment - Fire Boat Acquisition	C44 s7 (13)	1,515,000	2,727,000	4,242,000
Computer Hardware	C44 s7 (28)	2,788,289	1,090,000	3,878,289
Computer Software	C44 s7 (29)	704,854	—	704,854
Remodeling & Extraordinary Repairs	C44 s7 (3A)	154,487,554	61,340,000	215,827,554
Engineering & Architectural Services	C44 s7 (22)	1,680,583	—	1,680,583
Urban Redevelopment & Renewal	C121B s20	18,026,055	—	18,026,055
Economic Development & Industrial Corporation	C1097 s11 Acts'71	6,746,334	—	6,746,334
SCHOOLHOUSES AND SITES:				
Capital Improvements; Act of 1973	C642 s7 Act'66 as am.	75,771	—	75,771
Capital Improvements; Act of 1991	C642 s7 Act'66 as am.	2,522,117	2,460,000	4,982,117
Capital Improvements; Act of 1996	C642 s7 Act'66 as am.	10,448,866	—	10,448,866
School Project Loan; C70B	C70B	163,076,845	—	163,076,845 ⁽¹⁾
PUBLIC BUILDINGS; Excluding Schools:				
Capital Improvements; Act of 1973	C642 s7 Act'66 as am.	2,721,615	—	2,721,615
Capital Improvements; Act of 1991	C642 s7 Act'66 as am.	22,549,280	—	22,549,280
Capital Improvements; Act of 1996	C642 s7 Act'66 as am.	27,589,699	—	27,589,699
Construction of Buildings; Acquisition of Land	C44 s7 (3)	21,602,374	10,245,000	31,847,374
Convention & Exhibition Center	C152 Act'97	157,800,000	—	157,800,000 ⁽²⁾
Boston City Hospital	C659 Acts of 1986	660,000	—	660,000
PUBLIC WORKS:				
Sidewalk Construction	C44 s7 (6)	12,340,956	—	12,340,956
Traffic Sig., Pub. Ltg. Fire Alarm Comm. Install.	C44 s7 (14)	14,711,832	252,500	14,964,332
Bridge Construction	C44 s7 (4)	17,745,122	5,555,000	23,300,122
Public Ways Construction	C44 s7 (5)	32,427,557	9,802,000	42,229,557
TOTAL:		\$ 735,150,317	\$ 114,167,500	\$849,317,817
"Within" Debt Limit =		319,915,868	111,707,500	431,623,368
"Outside" Debt Limit =		415,234,449	2,460,000	417,694,449
TOTAL:		\$ 735,150,317	\$ 114,167,500	\$849,317,817

(1) In anticipation of its issuance of bonds, the City issued \$25,000,000 City of Boston School Project Bond Anticipation Notes, Series A, in February 2001.

(2) In anticipation of its issuance of bonds, the City issued \$130,000,000 City of Boston Convention Center Loan, Act of 1997 Bond Anticipation Notes, Series A, in May 1999, and \$27,800,000 City of Boston Convention Center Loan, Act of 1997 Bond Anticipation Notes, Series B, in February 2000. Both series mature May 1, 2002 and may be permanently funded by either general obligation bonds or special obligation bonds of the City.

Source: City of Boston Auditing Department and Office of Budget Management.

Debt Statement as of January 1, 2002
General Obligation Debt

<u>Purpose for Which Issued</u>	<u>Principal Outstanding June 30, 2001</u>	<u>Retired in Fiscal 2002</u>	<u>Principal Amount Outstanding January 1, 2002</u>	<u>Deemed Payable from Related Revenues ⁽¹⁾</u>	<u>Net Principal Amount ..</u>
General Purpose.....	\$356,278,531	\$23,771,902	\$332,506,629	\$ 22,632,224	\$309,874,405
MWPAT	12,860,002	542,626	12,317,376	3,006,280	9,311,096
Economic Development	8,664,785	274,386	8,390,399	—	8,390,399
Parking	51,720	—	51,720	—	51,720
State Urban Development					
—Relocation	34,590,679	1,162,269	33,428,410	—	33,428,410
Schools.....	115,557,149	4,622,543	110,934,606	66,560,763	44,373,843
Public Buildings.....	206,815,852	7,901,120	198,914,732	—	198,914,732
Public Works	88,770,561	6,904,654	81,865,906	—	81,865,906
Cemeteries	205,723	193,126	12,598	—	12,598
Total	<u>\$823,795,002</u>	<u>\$ 45,372,626</u>	<u>\$778,422,376</u>	<u>\$ 92,199,267</u>	<u>\$686,223,108</u>

- (1) Includes revenues related to or derived from facilities on account of which the debt was incurred. Such revenues include: (i) the Boston Public Health Commission on account of general obligation debt attributable to projects undertaken on behalf of the former Department of Health and Hospitals; (ii) state grants for school construction assistance pursuant to the Commonwealth's school construction aid program; (iii) cemetery receipts which are currently collected in the General Fund and (iv) debt service subsidies on City debt issued to the Massachusetts Water Pollution Abatement Trust.

Source: City of Boston Auditing Department.

Certain Debt Ratios

The following table sets forth information as of January 1, 2002 with respect to the approximate ratio of the City's long-term general obligation debt to certain economic factors:

Debt Ratios
As of January 1, 2002

	<u>Amount</u>	<u>Per Capita ⁽¹⁾</u>	<u>Ratio to Assessed Property Value ⁽²⁾</u>	<u>Debt Per Capita as a % of Personal Income Per Capita⁽³⁾</u>
Gross General Obligation Debt.....	\$778,422,376	\$1,321.28	1.44%	3.24%
Net General Obligation Debt	686,223,108	1,164.79	1.27	2.86%

- (1) U.S. Census Bureau as of April 2001—Boston's Population equals 589,141.
(2) Assessed Property Value of \$54.19 billion as of January 1, 2001. State law requires that property be assessed at fair cash value. See "City Revenues—Property Taxes—Revaluation."
(3) U.S. Department of Commerce, Bureau of Economic Analysis, May 2001, Revised Series-Suffolk County's 1999 Per Capita Personal Income = \$40,748.

Source: City of Boston Auditing Department and Boston Redevelopment Authority.

Three-Year Debt Summary

The following table sets forth a three-year summary of the status of the City's outstanding general obligation debt at the end of each respective fiscal year and certain information concerning the City's debt service requirements for such fiscal periods.

Year-End Debt Summary, Fiscal 1999-2001 (Budgetary Basis) (\$ in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Outstanding General Obligation Debt ⁽¹⁾⁽²⁾	\$ 711,020	\$777,269	\$823,795
Authorized But Unissued General Obligation Debt	<u>718,532</u>	<u>782,961</u>	<u>735,150</u>
12 Months Ended			
Debt Service	\$ 98,709	\$ 101,617	\$113,585
Debt Service as a % of Total General Fund Revenues, Transfers and Other Available Funds	6.4%	6.3%	6.6%
Debt Service as a % of Total Expenditures and Encumbrances	6.4%	6.3%	6.6%
Debt Service as a % of Total Net Tax Levy	12.7%	12.3%	13.0%
Bonds Issued	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$172,025⁽³⁾</u>

- (1) In anticipation of its issuance of bonds, the City issued \$25,000,000 City of Boston School Project Bond Anticipation Notes, Series A, in February 2001, which are not included in these amounts.
- (2) In anticipation of its issuance of bonds, the City issued \$130,000,000 City of Boston Convention Center Loan, Act of 1997 Bond Anticipation Notes, Series A in May 1999, and \$27,800,000 City of Boston Convention Center Loan, Act of 1997 Bond Anticipation Notes, Series B in February 2000, which are not included in these amounts.
- (3) Includes \$52,025,000 of General Obligation Refunding Bonds issued in April 2001 to refund \$49,905,000 of its prior debt.

Source: City of Boston Auditing Department.

Special Obligation Debt

In addition to general obligation indebtedness, the Bond Procedure Act of 1983 and various other special acts authorize the City to incur indebtedness which is secured by and payable solely from certain revenues of the City which are pledged for the payment of such indebtedness or which are subject to annual appropriation by the City for such purpose. The only special obligation indebtedness of the City outstanding as of January 1, 2002 was \$143.4 million of the City's Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage), Series B (the "Hospital Bonds").

The Convention Center Act empowers the City to secure special obligation bonds issued to finance the City's share of site acquisition and preparation costs of the Boston Convention and Exhibition Center with a pledge of the City's receipts from its local room occupancy excise tax and from certain other special revenues authorized by the Convention Center Act. Currently, no special obligations bonds are outstanding under the Convention Center Act. See "City Indebtedness – Capital Planning and Borrowing Program – Boston Convention and Exhibition Center." In addition, legislation enacted by the state legislature in 2000 authorizes the City to issue special obligation debt to pay a portion of the costs of acquisition and preparation of a site for a proposed replacement facility for Fenway Park which would be secured by and payable from certain excises and special revenues related to the operation of the new ballpark. See "City Indebtedness – Capital Planning and Borrowing Program – Fenway Park Project."

The City's outstanding Hospital Bonds were issued in 1993 to refund bonds issued by the City in 1991 to finance costs of construction of a replacement facility for the City's acute care hospital then known as Boston City Hospital ("BCH"). The Hospital Bonds are secured by a mortgage on the hospital which is insured by the United States of America acting by and through the Federal Housing Administration ("FHA") of the Department of Housing and Urban Development, and by a Debt Service Reserve Fund funded from bond proceeds. The Hospital Bonds are payable from payments made on a mortgage note, and by amounts on deposit in, and investment earnings on, the Debt Service Reserve Fund.

At the date of issue of the Hospital Bonds, BCH was owned by the City and under the control of the

City's Department of Health and Hospitals. However, on July 1, 1996, the operations of BCH and Boston University Medical Center Hospital ("BUMCH") were consolidated into Boston Medical Center Corporation ("BMC"), a new Massachusetts non-profit corporation. Contemporaneously, all other public health operations of the Department of Health and Hospitals were transferred to the Boston Public Health Commission. In addition, title to the City's hospital was transferred to the Boston Public Health Commission and the Commission became the mortgagor on the FHA insured mortgage and the obligor on the mortgage note.

Simultaneously with the consolidation of BCH and BUMCH, the hospital was leased to BMC for an initial term of 50 years. Pursuant to the Lease, BMC has agreed to pay rent to the Boston Public Health Commission so long as the mortgage note is outstanding in an amount, among other sums, equal to the amounts payable by the Commission on the FHA insured mortgage note which is in turn applied to pay the debt service due on the City's Hospital Bonds. Neither the FHA insured mortgage note nor the Hospital Bonds are a debt or other obligation of BMC. Moreover, payment of rent by BMC is contingent upon a simultaneous payment by the City, acting through the Boston Public Health Commission, of an assistance grant to BMC in an amount essentially equal to the rent payable by BMC under the Lease. The payment of assistance grants by the City is subject to annual appropriation. In addition, the City has covenanted in the trust agreement securing the Hospital Bonds, subject to annual appropriation, to make up any shortfall in the pledged revenues necessary to pay debt service due on the Hospital Bonds and to replenish any deficiency in the Debt Service Reserve Fund for the Hospital Bonds.

Debt of Agencies Related to the City

In addition to general obligation and special obligation indebtedness of the City, the City and certain agencies related to the City are authorized to issue debt which is solely an obligation of the agency or which, although issued by the City, are payable solely from revenues derived from projects financed by such debt. Except as described below, such obligations do not constitute a debt of the City.

Boston Water and Sewer Commission

The Boston Water and Sewer Commission (the "Commission") is an independent body politic and corporate and a political subdivision of the Commonwealth created in July 1977. The Commission, among its other powers, is authorized to operate and maintain the water and sewer systems of the City, construct improvements to the systems, collect user charges for its services, and finance its activities and its borrowing through its revenues. The City is not obligated on debt issued by the Commission. There were approximately \$331.5 million of Commission bonds outstanding as of December 31, 2001. The Commission's user charges, as required by statute, are designed to produce revenues to the Commission sufficient to pay all of its current operating expenses. These user charges are anticipated to increase moderately. See Appendix F—"The Economy—Large Public Sector Projects." The City's property tax base is not used to subsidize water and sewer services. Water and sewer charges outstanding from certain of the Commission's prior fiscal years have been committed to the City for collection. The City uses its lien and foreclosure powers to collect those overdue water and sewer charges for those years on the Commission's behalf.

Economic Development and Industrial Corporation of Boston

The Economic Development and Industrial Corporation of Boston ("EDIC") is a body politic and corporate and an instrumentality of the Commonwealth with a board of five members, also appointed as the members of the Boston Redevelopment Authority ("BRA"). EDIC has a variety of powers to assist industrial development projects in the City including the power to issue special obligation revenue bonds to finance economic development projects in the City which are solely the obligation of EDIC or the owner or lessee of the financed project. The City is also authorized to appropriate or borrow monies in aid of EDIC development projects within certain urban renewal debt limitations. The City has issued approximately \$19.7 million in general obligation debt for EDIC purposes, of which approximately \$8.4 million was outstanding as of January 1, 2002. The Fenway Park Site Act also authorizes EDIC to acquire and prepare a site for a replacement facility for Fenway Park, the home ballpark of the Boston Red Sox, and to develop and finance a parking garage adjacent to the new ballpark. The City is authorized and directed by the act to fund up to \$140 million of costs incurred by EDIC to acquire and prepare the site. To date no action has

been taken by EDIC or the City to undertake or finance either the ballpark site or the parking garage. See “City Indebtedness—Capital Planning and Borrowing Program—Fenway Park Project” below.

Boston Redevelopment Authority

The BRA is a public body politic and corporate constituting the City’s redevelopment authority. It acts as the City’s planning board and exercises certain powers of the state Department of Housing and Community Development. The BRA board consists of four members appointed by the Mayor, subject to confirmation by the City Council, and one appointed by the state Department of Housing and Community Development. The staff includes architects, economists, engineers, lawyers and urban planners, as well as management personnel and administrative support. The BRA provides the planning support for major construction, development and redevelopment activity in the City. Although the BRA is authorized to issue revenue bonds and notes which would not constitute indebtedness of the City, BRA projects have traditionally been financed through a combination of federal and state grants, the proceeds of general obligation bonds issued by the City and revenues from the lease or sale of land.

Boston Public Health Commission

The Boston Public Health Commission is a body politic and corporate and a political subdivision of the Commonwealth created in June 1996 as the successor to the City’s Department of Health and Hospitals. See “The City—Principal Government Services—Public Health”. The Commission is responsible for the implementation of public health programs in the City and serves as the board of health of the City. In addition to its other powers, the Commission is authorized by its enabling act, with the approval of the City Council and the Mayor, to borrow money for any of its corporate purposes from the City or from the Massachusetts Health and Educational Facilities Authority. Debt of the Commission, none of which is outstanding, would not be a debt or other obligation of the City.

Upon the creation of the Boston Public Health Commission in 1996, title to Boston City Hospital, the City’s acute care hospital, was transferred to the Commission subject to the terms of a lease of the hospital to the Boston Medical Center Corporation and to a mortgage insured by the Federal Housing Administration which secures the City’s outstanding Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage), Series B. Pursuant to agreements between the City, the Commission, BMC and a trustee for the benefit of FHA, the Commission has agreed to apply rents received from BMC to the payment of the FHA insured mortgage. The receipt of rents from BMC is contingent upon the appropriation by the City of assistance grants in an equal amount which are paid to the Commission and transferred to BMC. See “City Indebtedness-Special Obligation Debt.” The Commission is further obligated to reimburse the City for debt service paid on all outstanding general obligation bonds of the City issued for public health and hospital purposes. Such bonds were outstanding on June 30, 2001 in the aggregate principal amount of \$22.6 million. The Commission has required, and can be expected to continue to require, substantial financial support from the City to maintain its public health mission and programs, including satisfaction of its obligations described above.

Other Agencies and Corporations

Two other public bodies are empowered, either by themselves or through the City, to issue special obligation revenue bonds. The BHA is responsible for the construction, financing and operation of residential housing for low-income persons. While the City provides certain municipal services to BHA developments, and capital expenditures for City infrastructure related to those developments, the City is not directly or indirectly liable for operating or debt service expenses of the BHA. The City acting by and through the Boston Industrial Development Financing Authority, is authorized to issue revenue bonds to finance the construction of industrial, commercial and pollution-control facilities. The City has also traditionally provided financial assistance to a number of nonprofit corporations organized to provide and conduct civic and charitable functions for residents and visitors to the City and to stimulate the economic development of the City.

Debt Service Payments

The following table sets forth the City’s debt service requirements for general obligation debt for each year from June 30, 1997 through 2001. The debt service table shows the gross principal amount of general obligation debt of the City and the revenues related to or derived from facilities on account of

which the debt was incurred. Such revenues include (i) payments from the Boston Water and Sewer Commission and, beginning in fiscal 1997, from the Boston Public Health Commission, on account of debt service on outstanding City water and sewer bonds and certain general obligation bonds issued for hospital purposes (see “City Indebtedness—Debt of Agencies Related to the City” above), (ii) state grants for school construction as described below and (iii) rentals received by the City from leased parking facilities as described below.

Debt Service Requirements—Fiscal 1997-2001

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 2001
Gross Debt Service Requirements					
—Bonded Debt:					
Principal	\$54,520,000	\$57,590,000	\$63,500,000	\$67,140,000	\$75,594,255
Interest	<u>32,963,689</u>	<u>31,875,679</u>	<u>35,208,723</u>	<u>34,476,566</u>	<u>37,990,468</u>
Total	<u>\$87,483,689</u>	<u>\$89,465,679</u>	<u>\$98,708,723</u>	<u>\$101,616,566</u>	<u>\$113,584,723</u>
Less Revenues Deemed Available From Related Sources:					
Parking Rentals	1,989,457	1,082,121	838,107	1,677,998	2,222,017
School Construction Assistance	13,609,096	11,229,970	13,329,890	17,088,236	20,199,100
Boston Public Health					
Commission Payments	6,999,745	6,366,234	5,895,220	5,411,913	5,113,290
Water and Sewer Payments	62,075	58,625	55,175	—	—
MWPAT Loan Subsidy Amounts	—	—	—	126	625
Cemetery Funds	<u>35,314</u>	<u>35,289</u>	<u>35,213</u>	<u>35,189</u>	<u>35,147</u>
Total Net Debt Service Requirements	<u>\$64,788,002</u>	<u>\$70,693,440</u>	<u>\$78,555,118</u>	<u>\$77,403,103</u>	<u>\$86,014,543</u>

Source: City of Boston Auditing Department.

The related revenues shown in the foregoing Debt Statement and table of Debt Service Requirements are not pledged to the payment of specific indebtedness. However, such revenues may substantially reduce the amount of tax or other revenues of the City that must be raised to pay debt service on the related debt.

Major Contractual Obligations

In addition to its debt obligations, the City has substantial contractual obligations. Included in this category are the City’s obligation for pension benefit payments to its contributory retirement system for City employees which is included in the annual tax levy (see “Retirement Systems”); agreements for the provision of sanitation, solid waste collection and disposal services (see “The City—Principal Government Services—Other Services”); agreements with Boston Medical Center Corporation for the provision of operating assistance and capital grants. (see “City Indebtedness—Special Obligation Debt” and “Debt of Agencies Related to the City—Boston Public Health Commission” above); and certain long-term and short-term lease purchase obligations incurred by the City (see “City Indebtedness—Major Contractual Obligations—Equipment Leasing Programs” below).

Equipment Leasing Programs

The City has executed several equipment lease agreements in order to finance the acquisition of departmental equipment. As of January 1, 2002 the amount outstanding under the lease agreements equaled \$29.6 million. Lease payments are subject to annual appropriation, and are not included in the City’s debt limit.

Short-Term Borrowings

Although the City is authorized to borrow for operating purposes through the issuance of short-term notes in anticipation of revenue receipts, it has not done so in several years. In addition, the City is authorized to issue short-term debt obligations in anticipation of the issuance of long-term bonds.

In May 1999, the City issued its \$130,000,000 City of Boston Convention Center Loan, Act of 1997, Bond Anticipation Notes, Series A (the “Convention Center Series A Notes”), and in February 2000 issued its \$27,800,000 City of Boston Convention Center Loan, Act of 1997, Bond Anticipation Notes, Series B

(the “Convention Center Series B Notes”), to finance the acquisition and preparation of the site for the BCEC Project. Both the Convention Center Series A Notes and Convention Center Series B Notes will mature on May 1, 2002. For additional information concerning the BCEC Project see “Appendix F—The Economy—Large Public Sector Projects.”

In February 2001 the City issued its \$25,000,000 City of Boston Bond Anticipation Notes, 2001 Series A (the “2001 Series A Notes”) to fund a portion of the costs incurred by the City for the construction of two new middle schools and one new elementary school. Simultaneously with the issuance of the Bonds the City will issue its \$62,000,000 City of Boston Bond Anticipation Notes, 2002 Series A to fund additional costs relating to the same purposes financed by the 2001 Series A Notes.

Capital Planning and Borrowing Program

Capital Planning Process

The capital planning process is organized to coincide with the annual budget cycle. It begins when City departments submit capital requests, and concludes when the City publishes an updated version of its five-year capital plan. Capital appropriations are requested of the City Council each year for the cost of projects included in the updated capital plan. This process allows for a continuing reassessment of capital needs and projections. As of January 1, 2002, new authorizations totaling \$114.2 million were approved by the City Council to support the fiscal 2002 capital plan.

The City awards construction contracts and incurs capital outlay costs based upon appropriations to be funded from grant receipts and bond proceeds. In circumstances where project expenditures occur prior to the receipt of bond proceeds or grant reimbursements, the City pays such costs from available funds.

Capital Funding Plan

The City will fund its upcoming capital plan primarily through the issuance of general obligation bonds. The size of the City’s future bond issues will be consistent with the City’s conservative financial management policies regarding its level of debt and debt service. The timing and size of the capital plan will be actively managed within these constraints.

Current Capital Investment Plans

The City’s fiscal 2002 capital plan released on April 11, 2001 proposes new long-term investments over the next 5-7 years as well as several studies to lay the groundwork for future growth. In all, over \$1.50 billion from City and non-City sources are proposed to be spent on capital projects. These expenditures will be used for improvements to schools, libraries, parks and recreation, roads and bridges and in support of the Boston Convention and Exhibition Center. See “Appendix F—The Economy—Large Public Sector Projects.” In view of the proven economic and social benefits of consistent, long-range capital planning, the City remains committed to moving forward with its capital program.

The fiscal 2002 capital plan includes projects to improve the physical condition of the City’s schools. In addition to ongoing roof replacements and heating system upgrades, the City began construction on three new schools and completed major renovations at one high school. Finally, the 2002 capital plan includes a continuing technology upgrade throughout the entire school system.

The maintenance of the City’s roadways and sidewalks is a significant part of the capital plan. Each year, the Public Works Department resurfaces 17 to 20 miles and reconstructs 10 miles of roads. In addition, 20 miles of sidewalks are reconstructed and approximately 400,000 square feet are repaired and 700 new streetlights are scheduled to be installed to improve visibility and public safety. In fiscal 2002 the Department expects to complete the “Pave the Way” program, which was designed to resurface 91 miles of roads, and reconstruct 40 miles of sidewalks.

Boston’s public libraries have also benefited from the capital planning process. Construction was completed on the City’s twenty-sixth neighborhood branch library. The historic McKim Building at the central library has undergone major restorations. The City recently completed major renovations in two community centers including refurbished gyms, classrooms and administration space. In addition, a new police station was also opened.

Since its inception, the capital plan has comprehensively examined the capital needs of the City and has emphasized long-term planning and financial management. This planning process has enabled the City to alter the pattern of decades of previous under investment and to respond to emerging program goals of its departments.

Boston Convention and Exhibition Center

The Convention Center Act authorizes the development of the Boston Convention and Exhibition Center (the "BCEC Project") on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the BRA, and the Massachusetts Convention Center Authority (the "MCCA"). The 1.6 million square foot facility will include approximately 516,000 square feet of contiguous exhibition space on one level, 160,000 square feet of meeting space and a 41,000 square foot ballroom, as well as banquet and lecture halls. The BRA was authorized by the Convention Center Act to acquire and prepare the site for the BCEC Project. The acquisition of the site is complete, and the required site preparation, including tenant relocation, demolition, and environmental remediation, is also substantially completed. The completed site will be conveyed to the MCCA for nominal consideration. The MCCA is responsible for the design and construction of the BCEC project, and its operation upon completion. The BCEC Project is currently expected to be completed and open for operation in the spring of 2004.

Under the Convention Center Act, all costs of site acquisition and preparation incurred by the BRA for the BCEC Project have been borne by the City up to an initial ceiling of \$157.8 million. All such costs in excess of \$157.8 million and up to \$205 million are to be borne by the Commonwealth. For costs of site acquisition and preparation in excess of \$205 million, the Convention Center Act provides that the City and the Commonwealth will share the excess equally up to a maximum of \$50 million (i.e., an additional \$25 million each). The Convention Center Act authorizes the City to issue up to \$182.8 million of general obligation or special obligation bonds (and general obligation notes in anticipation thereof) to finance the BRA's initial site acquisition and preparation costs up to \$157.8 million, plus an additional \$25 million, if necessary, to finance the City's share of those site acquisition and preparation costs that exceed \$205 million.

In accordance with the requirements of the Convention Center Act, in May 1999 and February 2000, respectively, the City issued its \$130,000,000 Convention Center Loan, Act of 1997, Bond Anticipation Notes, Series A, and \$27,800,000 Convention Center Loan, Act of 1997, Bond Anticipation Notes, Series B, to finance costs of acquisition and preparation of the site for the BCEC Project. See "City Indebtedness-Short-Term Borrowings" above. The proceeds of these notes have been expended to reimburse the BRA for site acquisition, demolition and site preparation costs. During fiscal year 2001 and fiscal year 2002 to date the BRA has spent an additional \$32.5 million for site preparation and acquisition costs which has been fully reimbursed by the Commonwealth. Another \$14.7 million in state funding is available prior to the City sharing in any additional cost. Whether the total cost for site acquisition and preparation will exceed \$205 million, at which point the City will share equally with the state in up to \$50 million of additional costs, is primarily dependent on the outcome of pending eminent domain cases for those parcels for which a final settlement has not been reached (approximately one-quarter of the site acreage). However, the City estimates that the potential liability of the City for project costs will not exceed the total amount authorized for site acquisition and preparation in the Convention Center Act and that revenues deposited in the City's Room Occupancy Excise Fund described below will be sufficient to provide for such costs or for the debt service on indebtedness issued by the City for such purpose under the act.

The Convention Center Act provides for the creation by the City of a Room Occupancy Excise Fund (the "Excise Fund") and for the collection and deposit therein of certain new and existing revenues of the City that will be used to pay for a portion of the debt service on indebtedness issued by the City to fund costs of the BCEC Project. The Convention Center Act also authorizes the City to pledge the revenues deposited in the Excise Fund to the payment of special obligation bonds of the City issued under the Convention Center Act to fund costs of the BCEC Project or to refund general obligation bond anticipation notes of the City issued for such purpose. There is currently no debt outstanding secured by such a pledge. Amounts deposited in the Room Occupancy Excise Fund in any fiscal year which are determined by the City's CFO to be not required for the purposes of such fund may be transferred to the City's General Fund. See "City Revenues—Excise Revenues—Room Occupancy Excise" above.

Revenues deposited in the Room Occupancy Excise Fund include all of the City's receipts from its 4% local option room occupancy excise tax and its share of the vehicular rental surcharge imposed by the Commonwealth and its receipts from the sale of taxi medallions. See "City Revenues—Excise Revenues" and "Departmental Revenue". The Convention Center Act also provides for the payment through June 30, 2003 to the City of a portion of the Commonwealth's receipts from a 2.75% Convention Center Financing Fee that is imposed on the transfer of occupancy of any room in any hotel, motel or other lodging establishment in the City. The amount distributable to the City in a fiscal year shall not exceed the City's interest expense on all bonds or notes of the City outstanding under the Convention Center Act during such year, less an amount equal to the City's investment earnings on bond or note proceeds and an amount equal to the City's receipts for such year from the local room occupancy excise tax applicable to any room in any hotel, motel or other lodging establishment which was first opened for patronage on or after July 1, 1997. In no event, however, will the amount distributable to the City exceed 40% of the Commonwealth's Convention Center Financing Fee receipts collected from the City's hotels, motels and other lodging establishments.

The City expects to transfer to the City's general fund all local option room occupancy excise tax receipts and other revenues that are not required for the payment of maturing interest on and principal of bonds and notes issued under the Convention Center Act or to fund and maintain reserves for such purpose. At June 30, 2001, the City had accumulated approximately \$53.5 million in the Excise Fund from the City's share of the vehicular rental surcharge and from the sale of taxi medallions, together with investment earnings thereon, and from a portion of the room occupancy excise tax receipts received to that date. The City expects to apply a portion of the current balance in the Excise Fund to pay a portion of the principal of outstanding notes issued for the BCEC Project and to thus reduce the principal amount of bonds that must be issued for such purpose. A portion of the balance may be applied to fund a debt service reserve for special obligation bonds of the City, if issued, or to provide for additional costs of the BCEC Project incurred by the BRA within the limits established by the Convention Center Act.

The City does not expect that its existing revenue base that is available to fund annual operating expenditures will be adversely affected by development of the BCEC Project. The City anticipates that amounts deposited in the Excise Fund in accordance with the Convention Center Act will be sufficient to pay the debt service on all bonds and notes to be issued to fund the City's costs of the BCEC Project without the need to apply room occupancy excise tax receipts deposited in the Excise Fund from the transfer of rooms in hotels, motels, and other lodging establishments that were opened for business before July 1, 1997. See "Appendix F—The Economy—Tourism."

Fenway Park Project

During August 2000, the Massachusetts legislature passed the Fenway Park Site Act in support of the building of a new professional baseball stadium adjacent to the current location of Fenway Park. The state appropriated \$100 million for infrastructure improvements outside of the new stadium (streets, mass transit, utilities, landscape). The law also authorizes the Economic Development and Industrial Corporation of Boston ("EDIC"), by itself or by contract with the BRA, to acquire and prepare a site for the new ballpark and to develop and finance a parking garage adjacent to the new ballpark. The City is required to reimburse EDIC for up to \$140 million for stadium site acquisition and preparation costs. The law authorizes the City to issue up to \$140 million of general obligation or special obligation bonds for such purpose. The Boston Red Sox are to pay for stadium construction and for stadium site acquisition and preparation costs in excess of \$140 million. The new stadium site is to be leased by EDIC to the Boston Red Sox for an annual rental payment equal to the City's debt service, but in no event more than \$12.1 million per year. Certain special revenues and excises identified in the Fenway Park Site Act, primarily from business transactions generated from activity in the new ballpark, are to be collected and credited against the rent to be paid by the Boston Red Sox and may be pledged by the City to secure indebtedness incurred by the City under the act. Prior to EDIC, the City, or the Commonwealth undertaking or financing the infrastructure improvements or the projects a number of pre-conditions must be met, including approval of a development plan by the City Council and the Mayor, and approval by the City Council and authorization by the Mayor of the City's bonds for site costs. To date no action has been taken by EDIC or the City to undertake or finance either the ballpark site project or the parking garage.

TAX EXEMPTION

The opinion of Palmer & Dodge LLP, Bond Counsel, will state that under existing law the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; interest on the Bonds is taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The Internal Revenue Code of 1986 (the "Code") establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and also include the payment of rebates, or penalties in lieu of rebates, to the United States. Failure to comply with these requirements may cause inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to take all lawful action necessary to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be or continue to be excluded from gross income for federal income tax purposes.

In addition to other requirements imposed by the Code, Section 148(f) of the Code requires an issuer of tax-exempt bonds to rebate to the United States certain excess earnings from investment of bond proceeds and other amounts, subject to certain exceptions. One of the exceptions applies when the gross proceeds of a bond issue are expended for the governmental purpose within certain specified periods after the date of issuance of the bonds. The City expects to expend all of the gross proceeds of the Bonds within the appropriate periods and, accordingly, expects the Bonds to qualify for this exception from the rebate requirement of the Code.

It should also be noted that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, for that portion of the holder's interest expense allocated to interest on the Bonds. Interest on the Bonds earned by insurance companies or allocable to certain dividends received by such companies may increase taxable income of those companies as calculated under Subchapter L of the Code. In addition, interest on the Bonds earned by certain corporations could be subject to the foreign branch profits tax imposed by the Code, and may be included in passive investment income subject to federal income taxation under provisions of the Code applicable to certain S corporations. The Code also requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income, and receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code.

The opinion of Bond Counsel will also state that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds will be included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon will be included in the measure of Massachusetts corporate excise and franchise taxes.

No assurance can be given that future legislation will not have adverse tax consequences for owners of the Bonds.

On the date of delivery of the Bonds, the original purchasers will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix D.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 365 days after the end of each fiscal year (the "Annual Report"), and to provide notices of occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix E. The Certificate will be executed by the signers of the

Bonds, and incorporated by reference in the Bonds. The City has executed previous undertakings to provide annual reports or notices of material events in accordance with the Rule, and has never failed to comply in all material respects with such undertaking.

COMPETITIVE SALE OF BONDS

This final Official Statement (the “Final Official Statement”) is a “final official statement” within the meaning of Rule 15c2-12 of the Securities Exchange Commission. J.P. Morgan Securities, Inc. is the winning bidder. Information regarding the interest rates and reoffering yields of the Bonds is set forth on the cover of the Final Official Statement.

LITIGATION

No litigation is pending or, to the knowledge of the City’s Corporation Counsel, threatened (a) seeking to restrain or enjoin the issuance or delivery of the Bonds, (b) contesting or affecting any authority for or the validity of the Bonds, (c) contesting the power of the City to issue the Bonds or the power of the City to offer and sell the Bonds to the Underwriters, (d) affecting the power of the City to levy and collect taxes to pay the Bonds or (e) contesting the corporate existence or boundaries of the City.

There are pending in courts within the Commonwealth various suits in which the City is a defendant. In the opinion of the City’s Corporation Counsel, no litigation is pending, or to her knowledge threatened, which is likely to result, either individually or in the aggregate, in final judgments against the City which would affect materially its ability to pay the principal of and interest on the Bonds when due or which would affect materially its financial condition.

CREDIT RATINGS

Fitch Ratings (“Fitch”), One State Street Plaza, New York, New York, Moody’s Investors Service Inc. (“Moody’s”), 99 Church Street, New York, New York, and Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies (“Standard & Poor’s”), 55 Water Street, New York, New York, have assigned ratings of “AA-,” “Aa2,” and “AA-,” respectively, to the Bonds, reflecting the City’s capacity to pay debt service. These ratings apply to the Bonds maturing in the years 2003 through 2013. Fitch, Moody’s and Standard & Poor’s have also assigned ratings of “AAA,” “Aaa,” and “AAA,” respectively to the Bonds maturing in the years 2014 through 2022, and have done so with the understanding that, upon delivery of the Bonds, the MBIA Insurance Corporation Policy will be issued by MBIA Insurance Corporation. See “Bond Insurance,” herein. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds.

AUDITORS

The financial statements of the City of Boston included in Appendix A to this Official Statement have been audited by KPMG LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon. Such financial statements have been included in this Official Statement in reliance upon the report of KPMG LLP and other auditors.

FINANCIAL ADVISOR

Public Financial Management, Inc. (“PFM”) has served as financial advisor to the City for the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities or other public securities.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds are subject to the approval of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the City. Reference should be made to the form of opinion set forth in Appendix D for the matters to be covered therein. In addition, Corporation Counsel of the City will certify as to certain matters, including the accuracy of the statements contained herein under the caption "Litigation."

MISCELLANEOUS

All quotations from and summaries and explanations of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representation of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof.

CITY OF BOSTON, MASSACHUSETTS

BY: /s/Edward J. Collins, Jr.
Collector-Treasurer

Dated: February 13, 2002

General Purpose Financial Statements for the City of Boston, Massachusetts

For the Year Ended June 30, 2001

With Independent Auditors' Report Thereon



CITY OF BOSTON, MASSACHUSETTS

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Independent Auditors' Report

The Honorable Mayor and City Council
City of Boston, Massachusetts:

We have audited the general purpose financial statements of the City of Boston, Massachusetts (the "City"), as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain entities and accounts that aggregate the following percentages of total assets and revenues/additions:

	Percentage of	
	Total assets	Total revenues/ additions
Combined balance sheet - all fund types, account groups and discretely presented component units:		
Trust funds	100%	N/A
Discretely presented component units	20%	N/A
Combined statement of revenues, expenditures and changes in fund balance - all governmental fund types, expendable trust funds and discretely presented component units:		
Expendable trust funds	N/A	100%
Combined statement of revenues, expenses and changes in fund equity - proprietary fund type, nonexpendable trust funds and discretely presented component units:		
Nonexpendable trust funds	N/A	100%
Discretely presented component units	N/A	100%
Combined statement of changes in plan net assets - pension trust funds	N/A	100%

N/A = not applicable.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those entities and accounts, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provides a reasonable basis for our opinion.





The Honorable Mayor and City Council
City of Boston, Massachusetts

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Boston, Massachusetts, as of June 30, 2001, and the results of its operations and the cash flows of its discretely presented component units, proprietary and nonexpendable trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report on page 40 dated November 16, 2001 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedules of funding progress and employers' contributions on page 39 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employers' contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules.

KPMG LLP

November 16, 2001

CITY OF BOSTON, MASSACHUSETTS

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit:

June 30, 2001

(with comparative amounts for the general fund for 2000)

(in thousands)

Assets	Governmental fund types					Proprietary fund type	Fiduciary fund types	Account groups		Total (memorandum only) primary government	Component units	Total (memorandum only) reporting entity
	General	Special	Capital	Debt	Internal service	Trust and agency	General fixed assets	General long-term obligations				
	2001	2000	revenue	projects								
Cash and investments (note 4)	\$ 415,294	318,677	103,877	90,976	52,873	7,714	3,255,551	—	—	3,926,285	148,068	4,074,353
Restricted cash and investments (notes 4 and 8)	16,280	16,280	—	—	—	—	—	—	—	16,280	13,002	29,282
Receivables (net of allowance for estimated uncollectible amounts):												
Property taxes	78,421	80,366	—	—	—	—	—	—	—	78,421	—	78,421
Motor vehicle excise	9,498	8,674	—	—	—	—	—	—	—	9,498	—	9,498
Intergovernmental	70,253	50,119	27,147	—	—	—	18,342	—	—	115,742	13,049	128,791
Departmental and other	2,621	2,033	13,146	—	—	49	23,814	—	—	39,630	101,580	141,210
Total receivables	160,793	141,192	40,293	—	—	49	42,156	—	—	243,291	114,629	357,920
Due from other funds (note 7)	60,628	86,536	4,291	388	—	791	63,116	—	—	129,214	1,149	130,363
Due from primary government (note 7)	—	—	—	—	—	—	—	—	—	—	732	732
Due from component units (note 7)	157,200	163,859	—	—	—	—	—	—	—	157,200	—	157,200
Due from BMC (note 13)	—	—	—	—	—	—	—	—	—	—	150,204	150,204
Other assets	—	—	—	—	—	1,776	—	—	—	1,776	1,455	3,231
Property, plant and equipment, net of accumulated depreciation (note 6)	—	—	—	—	—	—	90	790,068	—	790,158	55,535	845,693
Amount available as debt service reserve	—	—	—	—	—	—	—	—	69,153	69,153	—	69,153
Amount to be provided for the retirement of general long-term obligations	—	—	—	—	—	—	—	—	1,326,509	1,326,509	162,698	1,489,207
Total assets	\$ 810,195	726,544	148,461	91,364	52,873	10,330	3,360,913	790,068	1,395,662	6,659,866	647,472	7,307,338

CITY OF BOSTON, MASSACHUSETTS

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units

June 30, 2001

(with comparative amounts for the general fund for 2000)

(in thousands)

Liabilities	Governmental fund types					Proprietary fund type	Fiduciary fund types	Account groups		Total (memorandum only) primary government	Component units	Total (memorandum only) reporting entity
	General	Special	Capital	Debt	Internal service	Trust and agency	General fixed assets	General long-term obligations				
	2001	2000	revenue	projects								
Warrants and accounts payable	\$ 107,471	94,984	10,199	5,732	—	22	53,540	—	—	176,964	88,162	265,126
Accrued liabilities:												
Tax abatement refunds	90,600	89,555	—	—	—	—	—	—	—	90,600	—	90,600
Judgments and claims (note 14)	—	—	—	—	—	10,000	—	—	22,450	32,450	—	32,450
Compensated absences	17,000	—	—	—	—	—	—	—	152,087	169,087	1,442	170,529
Landfill postclosure care	—	—	—	—	—	—	—	—	16,533	16,533	—	16,533
Other	69,660	62,845	21,296	1,788	—	—	2,101	—	—	94,845	18,223	113,068
Due to other funds (note 7)	4,420	11,508	3,724	58,026	—	—	—	—	—	66,170	1,149	67,319
Due to component units (note 7)	—	—	—	732	—	—	—	—	—	732	—	732
Due to primary government (note 7)	—	—	—	—	—	—	—	—	—	—	157,200	157,200
Due to BMC	—	—	—	—	—	—	—	—	—	—	28,277	28,277
Deferred revenue	254,146	246,495	—	—	—	—	—	—	—	254,146	195,091	449,237
Matured interest and bonds payable	438	457	—	—	—	—	—	—	—	438	—	438
Obligations under capital leases (note 8)	—	—	—	—	—	—	—	27,907	27,907	—	—	27,907
Bonds and notes payable (note 8)	—	—	—	—	—	—	170	—	1,176,685	1,176,855	22,537	1,199,392
Total liabilities	<u>543,735</u>	<u>505,844</u>	<u>35,219</u>	<u>66,278</u>	<u>—</u>	<u>10,022</u>	<u>55,811</u>	<u>—</u>	<u>1,395,662</u>	<u>2,106,727</u>	<u>512,081</u>	<u>2,618,808</u>
Equity and Other Credits												
Investment in general fixed assets	—	—	—	—	—	—	—	790,068	—	790,068	32,314	822,382
Retained earnings	—	—	—	—	—	308	—	—	—	308	24,839	25,147
Fund balances (deficit):												
Reserved for:												
Trust fund endowments	—	—	—	—	—	—	84,646	—	—	84,646	40,037	124,683
Encumbrances and other	38,169	41,157	60,231	176,212	—	—	—	—	—	274,612	1,775	276,387
Debt service	16,280	16,280	—	—	52,873	—	—	—	—	69,153	—	69,153
Employees' pension benefits	—	—	—	—	—	—	3,178,663	—	—	3,178,663	—	3,178,663
Unreserved:												
Designated for subsequent year expenditures (note 16)	30,000	—	—	—	—	—	—	—	—	30,000	20,956	50,956
Undesignated	182,011	163,263	53,011	(151,126)	—	—	41,793	—	—	125,689	15,470	141,159
Total equity and other credits	<u>266,460</u>	<u>220,700</u>	<u>113,242</u>	<u>25,086</u>	<u>52,873</u>	<u>308</u>	<u>3,305,102</u>	<u>790,068</u>	<u>—</u>	<u>4,553,139</u>	<u>135,391</u>	<u>4,688,530</u>
Contingencies (note 14)												
Total liabilities, equity and other credits	<u>\$ 810,195</u>	<u>726,544</u>	<u>148,461</u>	<u>91,364</u>	<u>52,873</u>	<u>10,330</u>	<u>3,360,913</u>	<u>790,068</u>	<u>1,395,662</u>	<u>6,659,866</u>	<u>647,472</u>	<u>7,307,338</u>

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All
Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units

Year ended June 30, 2001
(with comparative amounts for the General Fund for 2000)

(in thousands)

	Governmental fund types					Fiduciary fund type	Total (memorandum only) primary	Component	Total (memorandum only) reporting
	General		Special	Capital	Debt	Expendable	government	units	entity
	2001	2000	revenue	projects	service	trust			
Revenues:									
Local:									
Real and personal property taxes, net (note 5)	\$ 874,868	869,295	—	—	—	—	874,868	—	874,868
Excises	72,645	68,656	—	—	—	—	72,645	—	72,645
Payments in lieu of taxes	72,720	56,423	—	—	—	—	72,720	—	72,720
Fines	57,840	57,709	—	—	—	—	57,840	—	57,840
Investment income	26,289	19,255	—	—	—	711	27,000	3,011	30,011
Licenses and permits	36,795	28,892	—	—	—	—	36,795	—	36,795
Departmental and other revenue	58,306	45,490	80,467	23,444	21,902	22,252	206,371	39,400	245,771
Total local revenues	1,199,463	1,145,720	80,467	23,444	21,902	22,963	1,348,239	42,411	1,390,650
Intergovernmental:									
Federal	—	—	152,967	1,787	—	—	154,754	64,283	219,037
Commonwealth of Massachusetts	493,278	475,813	127,315	49,845	—	—	670,438	—	670,438
Total intergovernmental revenues	493,278	475,813	280,282	51,632	—	—	825,192	64,283	889,475
Total revenues	1,692,741	1,621,533	360,749	75,076	21,902	22,963	2,173,431	106,694	2,280,125
Expenditures:									
Current:									
General government	67,913	65,132	9,312	—	—	7,523	84,748	25,264	110,012
Human services	5,464	4,916	4,956	—	—	3,505	13,925	—	13,925
Public safety	373,362	358,855	20,556	—	—	—	393,918	—	393,918
Public works	77,241	69,689	589	—	—	1,365	79,195	—	79,195
Property and development	41,300	35,230	—	—	—	—	41,300	1,100	42,400
Parks and recreation	15,547	13,700	665	—	—	4,803	21,015	—	21,015
Library	30,360	27,792	1,238	—	—	—	31,598	—	31,598
Schools	611,368	578,583	115,580	—	—	66	727,014	—	727,014
County	6,030	5,861	87,462	—	—	—	93,492	—	93,492
Public health programs	—	—	—	—	—	—	—	71,932	71,932
Judgments and claims	5,011	6,911	—	—	—	—	5,011	—	5,011
Retirement costs (note 9)	84,970	96,019	—	—	—	—	84,970	—	84,970
Other employee benefits	90,501	86,221	—	—	—	—	90,501	2,140	92,641
State and district assessments	66,788	66,995	—	—	—	—	66,788	—	66,788
Community development	—	—	69,026	—	—	—	69,026	26,426	95,452
Assistance payments to BMC (note 13)	—	—	—	—	—	—	—	12,000	12,000
Subsidies to BMC and EMS (note 13)	—	—	—	—	—	—	—	8,584	8,584
Capital outlays	4,057	5,868	3,999	185,475	—	—	193,531	2,023	195,554
Debt service	123,977	114,486	4,321	—	6,659	—	134,957	2,290	137,247
Total expenditures	1,603,889	1,536,258	317,704	185,475	6,659	17,262	2,130,989	151,759	2,282,748
Excess (deficiency) of revenues over expenditures	88,852	85,275	43,045	(110,399)	15,243	5,701	42,442	(45,065)	(2,623)

(Continued)

Other financing sources (uses):

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All
Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units

Year ended June 30, 2001
(with comparative amounts for the General Fund for 2000)

(in thousands)

	Governmental fund types					Fiduciary fund type	Total (memorandum only) primary government	Component units	Total (memorandum only) reporting entity
	General		Special	Capital	Debt	Expendable			
	2001	2000	revenue	projects	service	trust			
Proceeds of debt and capital leases (note 8)	\$ —	—	—	209,719	—	—	209,719	—	209,719
Payment to escrow agent (note 8)	—	—	—	(52,025)	—	—	(52,025)	—	(52,025)
Operating transfers in (note 11)	1,678	1,636	—	—	—	4,540	6,218	—	6,218
Operating transfers out (note 11)	—	(2,683)	—	—	—	(16,643)	(16,643)	—	(16,643)
Transfers from component units (note 11)	17,706	18,026	—	—	—	—	17,706	(17,706)	—
Transfers to component units (note 11)	(62,476)	(58,213)	—	—	—	—	(62,476)	62,476	—
Total other financing sources (uses)	<u>(43,092)</u>	<u>(41,234)</u>	<u>—</u>	<u>157,694</u>	<u>—</u>	<u>(12,103)</u>	<u>102,499</u>	<u>44,770</u>	<u>147,269</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>45,760</u>	<u>44,041</u>	<u>43,045</u>	<u>47,295</u>	<u>15,243</u>	<u>(6,402)</u>	<u>144,941</u>	<u>(295)</u>	<u>144,646</u>
Fund balance (deficit), beginning of year	<u>220,700</u>	<u>176,659</u>	<u>70,197</u>	<u>(22,209)</u>	<u>37,630</u>	<u>48,195</u>	<u>354,513</u>	<u>17,492</u>	<u>372,005</u>
Fund balance, end of year	<u>\$ 266,460</u>	<u>220,700</u>	<u>113,242</u>	<u>25,086</u>	<u>52,873</u>	<u>41,793</u>	<u>499,454</u>	<u>17,197</u>	<u>516,651</u>

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Statement of Revenues and Expenditures - Budgetary Basis General Fund - Budget and Actual

Year ended June 30, 2001
(with comparative actual amounts for 2000)

(in thousands)

		2001				
		Original budget	Final budget	Actual	Variance favorable (unfavorable)	
					2000 Actual	
Revenues and other available funds:						
Real and personal property taxes, net	\$	873,844	873,844	874,013	169	824,980
Excises		110,092	110,092	105,473	(4,619)	96,184
Commonwealth of Massachusetts		523,942	524,217	525,169	952	513,681
Departmental and other revenue		40,864	45,890	53,100	7,210	46,096
Fines		58,432	58,432	59,769	1,337	55,942
Payments in lieu of taxes		31,146	31,146	39,994	8,848	29,269
Investment income		20,000	20,000	26,084	6,084	21,886
Licenses and permits		24,365	24,365	37,824	13,459	28,652
Sale of property		—	—	—	—	500
Other available funds		25,678	25,678	8,355	(17,323)	6,667
Total revenues and other available funds		1,708,363	1,713,664	1,729,781	16,117	1,623,857
Expenditures:						
General government		71,885	69,832	73,696	(3,864)	65,495
Human services		5,937	5,707	5,598	109	5,103
Public safety		379,194	382,398	381,275	1,123	363,691
Public works		70,910	71,958	78,044	(6,086)	70,715
Property and development		50,030	53,769	53,523	246	34,968
Parks and recreation		14,427	15,384	15,262	122	13,944
Library		26,901	29,981	29,981	—	28,160
Schools		610,696	611,943	611,925	18	579,181
Boston Public Health Commission		61,866	62,141	62,141	—	58,213
County		6,030	6,030	6,030	—	5,854
Judgments and claims		4,100	2,008	2,008	—	6,203
Other employee benefits		96,514	95,640	95,132	508	86,600
Retirement costs		133,775	133,775	133,775	—	134,529
State and district assessments		67,120	67,120	66,788	332	66,995
Debt requirements		108,978	105,978	105,978	—	96,005
Total expenditures		1,708,363	1,713,664	1,721,156	(7,492)	1,615,656
Excess of revenues and other available funds over expenditures						
	\$	—	—	8,625	8,625	8,201

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Revenues and Expenses and Changes in Fund Equity - Proprietary Fund Type, Nonexpendable Trust Funds and Discretely Presented Component Units

Year ended June 30, 2001

(in thousands)

	Proprietary fund type	Fiduciary fund type	Total (memorandum only)		Total (memorandum only)
	Internal service	Nonexpendable trust	primary government	Component units	reporting entity
Operating revenues:					
Investment income	\$ —	6,737	6,737	5,256	11,993
Net (decrease) in the fair value of investments	—	(7,763)	(7,763)	(3,088)	(10,851)
Contributions and donations	64,404	—	64,404	12,629	77,033
Rental income	—	—	—	11,344	11,344
Miscellaneous	1,807	1,066	2,873	1,486	4,359
Total operating revenues	66,211	40	66,251	27,627	93,878
Operating expenses:					
Salaries and wages	—	—	—	13,250	13,250
Professional fees	—	—	—	867	867
Administrative and general	546	6,165	6,711	7,294	14,005
Materials and supplies	—	—	—	4,413	4,413
Depreciation	—	—	—	895	895
Bad debts	—	—	—	546	546
Health benefits	60,254	—	60,254	—	60,254
Capital outlays	—	—	—	1,991	1,991
Subsidies for community services, special programs and real estate operations	—	—	—	11,333	11,333
Total operating expenses	60,800	6,165	66,965	40,589	107,554
Operating income (loss)	5,411	(6,125)	(714)	(12,962)	(13,676)
Nonoperating revenues and expenses:					
Grant revenue	—	—	—	16,218	16,218
Interest income	—	—	—	1,753	1,753
Interest expense	—	—	—	(1,154)	(1,154)
Total nonoperating revenue	—	—	—	16,817	16,817
Income (loss) before operating transfers	5,411	(6,125)	(714)	3,855	3,141
Operating transfers:					
Operating transfers in (note 11)	—	16,465	16,465	—	16,465
Operating transfers out (note 11)	—	(6,040)	(6,040)	—	(6,040)
Total operating transfers	—	10,425	10,425	—	10,425
Net income	5,411	4,300	9,711	3,855	13,566
Fund equity (deficit), beginning of year	(5,103)	80,346	75,243	82,025	157,268
Fund equity, end of year	\$ 308	84,646	84,954	85,880	170,834

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Changes in Plan Net Assets - Pension Trust Funds

Years ended June 30, 20001
(with comparative amounts for 2000)

(in thousands)

Additions:	<u>2001</u>	<u>2000</u>
Contributions:		
Employer	\$ 144,971	147,599
Employee	<u>84,776</u>	<u>72,654</u>
Total contributions	<u>229,747</u>	<u>220,253</u>
Investment income:		
Net (depreciation) appreciation in the fair value of investments	(131,140)	400,413
Interest	<u>70,972</u>	<u>57,228</u>
Total investment (loss) income	<u>(60,168)</u>	<u>457,641</u>
Intergovernmental	<u>25,643</u>	<u>24,036</u>
Total additions	<u>195,222</u>	<u>701,930</u>
Deductions:		
Benefits	228,960	218,587
Refunds of contributions	20,552	18,820
Administrative expenses	<u>1,863</u>	<u>1,894</u>
Total deductions	<u>251,375</u>	<u>239,301</u>
Net (decrease) increase	<u>(56,153)</u>	<u>462,629</u>
Net assets held in trust for pension benefits:		
Beginning of year	<u>3,234,816</u>	<u>2,772,187</u>
End of year	\$ <u><u>3,178,663</u></u>	<u><u>3,234,816</u></u>

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Cash Flows - Proprietary Fund Type, Nonexpendable Trust Funds and Discretely Presented Component Units

Year ended June 30, 2001

(in thousands)

	Proprietary fund type	Fiduciary fund type	Total (memorandum only) primary	Component	Total (memorandum only) reporting
	Internal service	Nonexpendable trust	government	units	entity
Cash flows from operating activities:					
Operating income (loss)	\$ 5,411	(6,125)	(714)	(12,962)	(13,676)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Reclassification of investment income	—	(6,737)	(6,737)	(5,256)	(11,993)
Depreciation and amortization	—	—	—	895	895
Net decrease in fair value of investments	—	—	—	3,088	3,088
Provision for bad debts	—	—	—	240	240
Changes in operating assets and liabilities:					
Accounts receivable	52	20	72	431	503
Intergovernmental receivables	—	—	—	(1,847)	(1,847)
Other assets	(583)	—	(583)	(13)	(596)
Due (to) from other funds	(30)	—	(30)	(70)	(100)
Accounts payable	22	38	60	252	312
Other accrued liabilities	(1,202)	—	(1,202)	342	(860)
Deferred revenue	—	—	—	50	50
Net cash provided (used) by operating activities	3,670	(12,804)	(9,134)	(14,850)	(23,984)
Cash flows from noncapital financing activities:					
Advances from grantors	—	—	—	16,218	16,218
Operating transfers	—	10,425	10,425	—	10,425
Net cash provided by noncapital financing activities	—	10,425	10,425	16,218	26,643
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	—	—	—	(675)	(675)
Interest paid on debt	—	—	—	(1,014)	(1,014)
Repayment of long-term debt	—	—	—	(9,388)	(9,388)
Net cash used by capital and related financing activities	—	—	—	(11,077)	(11,077)
Cash flows from investing activities:					
Purchase of investment securities	—	(4,203)	(4,203)	(8,543)	(12,746)
Proceeds from sale of investment securities	—	—	—	8,512	8,512
Investment income	—	6,737	6,737	7,009	13,746
Net cash provided by investing activities	—	2,534	2,534	6,978	9,512
Increase (decrease) in cash and cash equivalents	3,670	155	3,825	(2,731)	1,094
Cash and cash equivalents, beginning of year	4,044	499	4,543	27,814	32,357
Cash and cash equivalents, end of year	7,714	654	8,368	25,083	33,451
Investments, end of year	—	84,064	84,064	49,163	133,227
Total cash and investments, end of year	\$ 7,714	84,718	92,432	74,246	166,678

CITY OF BOSTON, MASSACHUSETTS

Combined Statement of Cash Flows - Proprietary Fund Type, Nonexpendable Trust Funds and Discretely Presented Component Units

Year ended June 30, 2001

(in thousands)

Reconciliation of cash and investments to combined balance sheet:	
Nonexpendable trust funds from previous page	\$ 84,718
Add:	
Pension trust funds	3,127,888
Expendable trust funds	<u>42,945</u>
Total fiduciary fund types	\$ <u><u>3,255,551</u></u>
Discretely presented component units from previous page	\$ 74,246
Add: governmental fund type discretely presented component units	<u>73,822</u>
Total discretely presented component units	\$ <u><u>148,068</u></u>

See accompanying notes to general purpose financial statements.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(1) The Financial Reporting Entity

The accounting policies followed in preparing the accompanying general purpose financial statements are as follows:

(a) *Primary Government*

The City of Boston (the "City"), incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Act of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts (the "Commonwealth") which, as amended, constitute the City's Charter. The Mayor is elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers and departments including all operations of Suffolk County, except county courts. The legislative body of the City is the City Council, which consists of thirteen elected members serving two-year terms. The Mayor and City Council serve as the County Commissioners of Suffolk County.

The accompanying general purpose financial statements present the City of Boston which includes Suffolk County and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

(b) *Blended Component Unit Disclosure*

The following component unit has been presented as a blended component unit (included in the primary government) because the component unit provides services almost exclusively to the primary government.

State-Boston Retirement System ("SBRS") - The SBRS is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprised of five members: the City Auditor, who serves *ex officio*; two individuals elected by participants in the system; a fourth member appointed by the Mayor and a fifth member chosen by the other members. The SBRS provides pension benefits to retired City employees.

A complete set of financial statements for SBRS for the fiscal year ended December 31, 2000 can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201.

(c) *Discretely Presented Component Units Disclosure*

These component units are reported in separate columns to emphasize that they are legally separate from the City but are included because the City is financially accountable for and is able to impose its will on the organization. Unless otherwise indicated, the notes to the general purpose financial statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

government. A description of the component units, criteria for inclusion and their relationship with the City are as follows:

Boston Redevelopment Authority (“BRA”) - The BRA is a public body politic and corporate constituting the City’s redevelopment authority and exercising the powers of a planning board for the City. The BRA is governed by a five-member board, four of whom are appointed by the Mayor. Its purpose is to provide planning support for major construction and redevelopment activity in the City.

Economic Development and Industrial Corporation of Boston (“EDIC”) - The EDIC is a body politic and corporate and an instrumentality of the Commonwealth. It is governed by the same persons appointed as members of the BRA board. The EDIC has various powers to assist industrial development projects in the City and together with the BRA assists the City with its economic development function.

Boston Public Health Commission (“PHC”) - The PHC is a body politic and corporate and public instrumentality of the Commonwealth, established by Chapter 147 of the Acts of 1995. PHC is governed by a seven-member board, six of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is the chief executive officer of the Boston Medical Center (“BMC”). The PHC is responsible for the implementation of public health programs in the City.

Trustees of the Public Library of the City of Boston (“TPL”) - The TPL is a nonprofit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Trustees of TPL are appointed by the Mayor. The TPL was established to benefit the public library system of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year-ends, which is on June 30, 2001.

Complete financial statements of these discretely presented component units can be obtained through the City Auditor’s office, Room M-4, City Hall Plaza, Boston, Massachusetts, 02201. In addition, condensed financial statements for the discretely presented component units are included in note 15.

(d) Related Organizations

The Mayor is also responsible for appointing the members of the governing bodies of the Boston Housing Authority, Boston Industrial Development Finance Authority and Boston Water and Sewer Commission; however, the City’s accountability for these organizations does not extend beyond making these appointments.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(2) Summary of Significant Accounting Policies

The accounting policies of the City of Boston, Massachusetts, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies followed by the City:

(a) *Basis of Presentation*

The City has elected to present the discretely presented component units using the single-column method. The operations of the discretely presented component units have been reported in the financial statements on a basis which reflects the predominant basis of accounting used by the entity.

The operations of the City and its blended component unit are presented within the following fund types and account groups:

Governmental Fund Types

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon the determination of changes in financial position and the flow of current financial resources. The following are the City's governmental fund types:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and similar trust funds).

Debt Service Fund - The debt service fund is used to account for financial resources to be used for the payment of principal and interest on long-term debt issued to fund site acquisition and preparation costs for the Boston Convention Center.

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance (i.e., flow of economic resources). The following is the City's proprietary fund type:

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Fiduciary Fund Types

Trust and Agency Funds - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent. Trust funds include expendable trust funds, nonexpendable trust funds and pension trust funds. Nonexpendable trust funds and pension trust funds are reported in a manner similar to proprietary funds (i.e., flow of economic resources measurement focus and accrual basis of accounting). Expendable trust funds are reported in a manner similar to governmental funds (i.e., flow of financial resources measurement focus and modified accrual basis of accounting). Agency funds are custodial in nature and follow the modified accrual basis of accounting but are not concerned with the measurement of results of operations.

Account Groups

Account groups are a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the governmental funds because they do not affect net expendable available financial resources. The following are the City's account groups;

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the City, other than those accounted for in proprietary funds and similar trust funds.

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City, except those accounted for in proprietary and similar trust funds.

(b) Basis of Accounting

The modified accrual basis of accounting is followed by governmental funds, expendable trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available to pay liabilities of the current period). Revenues not considered available are recorded as deferred revenues.

The City applies the susceptible to accrual criteria to property taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end.

Investment earnings are recorded as earned. Other revenues are recorded when received in cash because these amounts are generally not measurable until actually received.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued tax abatement refunds, judgments and claims, sick and vacation leave, and landfill closure and postclosure care costs which are recorded in the general long-term obligations account group.

The accrual basis of accounting is used by proprietary funds, nonexpendable trust funds and pension trust funds. Revenues are recognized when earned and expenses are recognized when goods or services have been received or a liability has been incurred.

The City and its component units have elected to apply to its proprietary funds, nonexpendable trust funds, and pension trust funds accounting standards applicable to the private sector issued on or before November 30, 1989, unless those standards conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

During fiscal year 2001, the City adopted GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. This Statement had no material effect on fiscal year 2001.

(c) *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years without further appropriations. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

(d) *Cash Equivalents*

For purposes of the combined statement of cash flows, investments with original maturities of three months or less when purchased are considered to be cash equivalents.

(e) *Basis of Investment Valuation*

Investments are presented in the accompanying general purpose financial statements at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments of the State-Boston Retirement System which are described in note 9(b). Further, income from investments is recognized in the same fund as the related investments.

(f) *Property, Plant and Equipment*

Property, plant and equipment are stated at cost or estimated historical cost, except for infrastructure which is not capitalized. Donated fixed assets are recorded at estimated fair market value at the date donated.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(g) *Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The liability related to unused sick and vacation time expected to be paid within one year is recorded in the general fund. The estimated amount to be paid in future years is recorded in the general long-term obligations account group. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

(h) *Arbitrage Rebate*

Rebatable arbitrage earnings are calculated for the City by third parties and accounted for as a liability and a reduction of investment income in the general fund. At June 30, 2001, an accumulated arbitrage rebate liability of \$1.9 million was recorded in the general fund.

(i) *Tax Abatement Refunds*

All estimated tax abatement refunds have been recorded as a liability in the general fund.

(j) *Landfill Postclosure Care Costs*

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2001, 100% of the Gardner Street landfill site had been used and had not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

The liability for postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the general long-term obligations account group. Expenditures related to the Gardner Street landfill site closure and postclosure care in fiscal 2001 were \$3,660,116.

(k) *Use of Estimates*

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(l) *Reclassifications*

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

(m) *Total Columns – Memorandum Only*

Total columns on the accompanying general purpose financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund and other eliminations have not been made.

(3) *Budgetary Data*

The general fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the general fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee.

Original and supplemental appropriations are submitted by the Mayor and approved by the City Council and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3 million which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the City Auditor may, with the approval of the Mayor, apply any income, taxes and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year. Supplemental appropriations, other than the aforementioned transfers, were approximately \$5.3 million for the year.

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 5). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years’ deficits, if any; less (d) the aggregate of all nonproperty tax revenues projected to be received by the City, including available funds, in amounts certified or approved by the Commonwealth for tax rate purposes.

In accordance with the 1986 amendments to the Funding Loan Act of 1982, the City has established two reserve funds. The first is a budget reserve fund which is required to be funded in stages to a final level of 2-1/2% of the prior year’s overall departmental appropriations, except the School Department, by the beginning of fiscal 1990. It is available to be applied to extraordinary and unforeseen expenditures. The second is a separate reserve fund of 1% to 2-1/2% of the current year appropriation of the School Department to be applied to overexpenditures in that department.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The City's general fund budget is prepared on a basis other than generally accepted accounting principles ("GAAP"). The "actual" results column in the statement of revenues and expenditures - budgetary basis - general fund is presented on a "budgetary basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).
- (d) Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2001 (in thousands):

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>	<u>Excess of revenue and other financing sources</u>
As reported on a budgetary basis	\$ 1,729,781	1,721,156	—	8,625
Adjustments:				
Revenues to modified accrual basis	12,415	—	—	12,415
Expenditures, encumbrances and accruals, net	—	(24,720)	—	24,720
Reclassifications:				
Parking meter revenue and expenditures to a special revenue fund	(6,677)	(6,677)	—	—
Debt service expenditures	293	17,999	17,706	—
State-funded teachers' retirement costs	(41,393)	(41,393)	—	—
Trust fund revenue	(1,678)	—	1,678	—
Public Health Commission appropriation (note 13)	—	(62,476)	(62,476)	—
As reported on a GAAP basis	<u>\$ 1,692,741</u>	<u>1,603,889</u>	<u>(43,092)</u>	<u>45,760</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(4) Cash and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust ("MMDT"). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns and other state and other local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

The City's pension and certain other trust funds have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

(a) Deposits

The City categorized deposits according to the level of risk assumed. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized. The City's deposits at June 30, 2001 are as follows (in thousands):

	<u>Category</u>			<u>Total bank balance</u>	<u>Carrying amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Total cash deposits	\$ <u>6,556</u>	<u>1,772</u>	<u>61,181</u>	<u>69,509</u>	<u>58,208</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(b) Investments

The City and SBRS categorize investments according to the level of risk assumed. Category 1 includes investments that are insured or registered or held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent but not in the entity's name. MMDT, other mutual funds, venture capital funds and real estate investments are not categorized. The City's investments are as follows (in thousands):

Primary government June 30, 2001	Category			Estimated fair value
	1	2	3	
Categorized:				
Repurchase agreements	\$ —	156,476	—	156,476
U.S. Government obligations	—	8,732	—	8,732
Debt securities	—	16,280	—	16,280
Equity securities	—	11,184	—	11,184
	<u>\$ —</u>	<u>192,672</u>	<u>—</u>	<u>192,672</u>
Not categorized:				
MMDT				491,648
Mutual funds				<u>72,213</u>
				<u>\$ 756,533</u>
SBRS – December 31, 2000	Category			Estimated fair value
	1	2	3	
Categorized:				
Short-term investments	\$ —	146,356	—	146,356
U.S. Government obligations	—	54,248	—	54,248
U.S. Government agency obligations	—	91,203	—	91,203
Equity securities	—	2,018,840	—	2,018,840
Debt securities	—	492,772	—	492,772
	<u>\$ —</u>	<u>2,803,419</u>	<u>—</u>	<u>2,803,419</u>
Not categorized				
MMDT				28,825
Real estate				242,985
Venture capital funds				<u>52,595</u>
				<u>\$ 3,127,824</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The composition of the City's bank deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid and capital outlays throughout the year.

(5) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the modified accrual basis of accounting, described in note 2(b).

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On November 14, all properties with unpaid fiscal 2001 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2-1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2-1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a City-wide referendum.

(6) Property, Plant and Equipment

The following is a summary of changes in the general fixed assets account group (in thousands):

	Balance, June 30, 2000	Additions	Disposals	Balance, June 30, 2001
Land and buildings	\$ 623,780	21,408	—	645,188
Furniture and fixtures	35,953	68	35,473	548
Vehicles and maintenance equipment	93,847	13,288	5,875	101,260
Machinery and equipment	94,108	10,478	61,514	43,072
General fixed assets	<u>\$ 847,688</u>	<u>45,242</u>	<u>102,862</u>	<u>790,068</u>

No accumulated depreciation is recorded in the general fixed assets account group.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(7) Interfund Receivable and Payable Balances

Individual fund and discrete component unit receivable and payable balances at June 30, 2001, are as follows (in thousands):

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 60,628	4,420
Special revenue:		
Grant fund	4,291	3,724
Capital Projects:		
Bond fund	—	58,026
Grant fund	388	—
Internal service	791	—
Trust and agency:		
BRS	72	—
Balance at June 30, 2001	<u>66,170</u>	<u>66,170</u>
SBRS at December 31, 2000	<u>63,044</u>	<u>—</u>
Balances in accompanying general purpose financial statements	\$ <u>129,214</u>	<u>66,170</u>
<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 157,200	—
Capital projects	—	732
Discretely presented component units:		
PHC	732	156,832
TPL	—	368
Balances in accompanying general purpose financial statements	\$ <u>157,932</u>	<u>157,932</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(8) Long-Term Obligations

Governmental Fund Obligations

Following is a summary of the general long-term obligations of the City as of June 30, 2001 (in thousands):

	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>
Bonds and notes payable:					
General obligation refunding bonds dated 4/11/01	3.63-5.0%	\$ —	52,025	—	52,025
General obligation bonds dated 2/1/01	4.25-5.0%	—	120,000	—	120,000
General obligation bonds dated 2/1/00	5.0-5.75%	120,000	—	9,840	110,160
General obligation bonds dated 10/15/98	3.25-5.0%	112,290	—	7,710	104,580
General obligation refunding bonds dated 4/15/98	4.5-5.25%	69,875	—	6,585	63,290
General obligation bonds dated 1/15/98	4.5%	74,810	—	7,600	67,210
General obligation bonds dated 11/15/96	5.0%	68,400	—	7,200	61,200
General obligation bonds dated 10/15/95	5.0-5.25%	53,500	—	30,500	23,000
General obligation bonds dated 9/1/94	5.0-6.0%	43,940	—	20,425	23,515
General obligation refunding bonds dated 2/1/94	4.0-5.0%	67,965	—	7,110	60,855
General obligation bonds dated 9/1/93	4.0-4.875%	39,650	—	1,995	37,655
General obligation refunding bonds dated 2/1/93	3.0-5.65%	83,380	—	10,660	72,720
General obligation bonds dated 2/15/92	4.75-6.5%	9,055	—	2,845	6,210
General obligation refunding bonds dated 5/15/91	5.5-10.0%	21,015	—	12,500	8,515
MWPAT note payable	4.25-5.75%	10,180	—	430	9,750
Notes payable	5.44-7.18%	29,245	—	1,625	27,620
Total general obligation bonds and notes payable		803,305	172,025	127,025	848,305
Bond Anticipation Notes dated 2/1/01	4.0%	—	25,000	—	25,000
Bond Anticipation Notes dated 2/1/00	5.25%	27,800	—	—	27,800
Bond Anticipation Notes dated 5/1/99	4.0%	130,000	—	—	130,000
Revenue Refunding Bonds, Boston City Hospital, Series B, dated 6/1/93	3.60-5.25%	149,975	—	4,395	145,580
Total bonds and notes payable		1,111,080	197,025	131,420	1,176,685
Other long-term obligations:					
Leases		26,140	12,694	10,927	27,907
Judgments and claims		20,174	17,610	15,334	22,450
Sick and vacation, net		95,053	57,034	—	152,087
Landfill postclosure care costs		20,193	—	3,660	16,533
Total other long-term obligations		161,560	87,338	29,921	218,977
Total general long-term obligations		\$ 1,272,640	284,363	161,341	1,395,662

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2001, are as follows (in thousands):

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 83,929	39,837	123,766
2003	81,987	36,174	118,161
2004	78,175	32,317	110,492
2005	72,175	28,772	100,947
2006	58,726	25,470	84,196
2007-2011	250,028	87,312	337,340
2012-2016	161,235	34,854	196,089
2017-2021	62,050	6,793	68,843
	<u>\$ 848,305</u>	<u>295,529</u>	<u>1,139,834</u>

General obligation bonds are backed by the full faith and credit of the City. The Commonwealth has approved school construction assistance, subject to annual appropriation by the state legislature and reports filed with the Commonwealth by the City, to partially provide resources for future principal and interest requirements on general obligation school bonds of the City. As of June 30, 2001, such resources expected to be provided to the City total approximately \$233,000,000 from the Commonwealth.

On February 1, 2001, the City issued \$120,000,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each February 1 and August 1, with principal payments due each February 1 until maturity in fiscal 2021.

On February 1, 2001, the City issued \$25,000,000 in bond anticipation notes ("BAN's") to fund various school projects. The City will pay interest of approximately \$1.6 million through fiscal 2003. The City is expected to issue general obligation bonds to refund the BAN's.

On April 11, 2001, the City issued \$52,025,000 in general obligation refunding bonds to advance refund \$49,905,000 of aggregate principal amount of the City's previously issued general obligation bonds. The cash flow gain on this transaction was \$2,529,081 and the economic gain (difference between the present values of the debt service payments on the old and new debt) obtained from the refunding was \$1,964,493.

On September 16, 1999, the City entered into a permanent loan agreement with the Massachusetts Water Pollution Abatement Trust ("MWPAT") for \$13.4 million. This agreement cancelled the interim loan agreement the City had signed with the MWPAT on January 15, 1999 for \$3.75 million. The loan provides funding for the closure and postclosure care costs relating to the City's Gardner Street Landfill. Proceeds are received on a reimbursement basis as expenditures are incurred. As of June 30, 2001, the City has received approximately \$10.8 million in loan proceeds.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The annual debt service requirements of the City's revenue refunding bonds, Boston City Hospital, Series B, outstanding as of June 30, 2001, are as follows (in thousands):

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	4,485	8,232	12,717
2003	4,735	7,994	12,729
2004	4,985	7,739	12,724
2005	5,265	7,465	12,730
2006	2,740	7,170	9,910
2007-2011	10,985	33,574	44,559
2012-2016	37,110	25,909	63,019
2017-2021	—	21,642	21,642
2022-2023	75,275	8,656	83,931
	<u>\$ 145,580</u>	<u>128,381</u>	<u>273,961</u>

The revenue refunding bonds of the Boston City Hospital ("BCH") do not constitute general obligations of the City and the annual debt service of these bonds has been assumed by the Boston Public Health Commission. The Boston Public Health Commission expects to meet its obligation on the bonds through application of a portion of the rent payable to the Boston Public Health Commission by the Boston Medical Center Corporation ("BMC") for its lease of the former Boston City Hospital. As a result of the consolidation of the BMC and BCH (see note 13), on July 1, 1996, the City received \$16.28 million, representing debt service reserve on these bonds. It was recorded as proceeds of debt in the capital projects fund and subsequently transferred to the general fund for future debt service requirements. Under certain circumstances, including a default by BMC under the lease, City revenues may be required to satisfy the debt service requirements on the Series B bonds (see note 13).

The Boston Public Health Commission (see note 13) has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes which amounted to \$22.8 million at June 30, 2001.

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2001, the City may issue \$1.347 billion of additional general obligation debt under the double debt limit. General obligation debt of \$320 million, subject to the debt limit, and \$415 million, exempt from the debt limit, is authorized but unissued as of June 30, 2001.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Fiduciary Fund Obligations

Following is a summary of the long-term obligations of the Neighborhood Housing trust fund as of June 30, 2001 (in thousands):

	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>
Notes payable due through 4/24/03	Various	\$ <u>366</u>	<u>—</u>	<u>196</u>	<u>170</u>

The future annual debt principal payments for fiduciary fund long-term debt outstanding at June 30, 2001, are as follows (in thousands):

<u>Year ending June 30:</u>	
2002	\$ <u>170</u>

Defeased Debt

The following prior year transactions met the requirements of an in-substance defeasance:

- On May 12, 1998, the City issued \$77.9 million in general obligation bonds, dated April 15, 1998, of which \$62.9 million was used to advance refund \$58.0 million of 1989, 1990, 1992 and 1994 Series Bonds.
- On February 9, 1994, the City issued \$85.9 million in general obligation bonds, dated February 1, 1994, to advance refund \$74.3 million of 1985, 1986, 1988, 1989, 1990 and 1991 Series bonds.
- On February 10, 1993, the City issued \$92.3 million in general obligation bonds, dated February 1, 1993, to advance refund \$80.5 million of 1983, 1986, 1988, 1989 and 1992 Series bonds.

The principal amount of debt refunded through in-substance defeasance transactions and still outstanding at June 30, 2001 was approximately \$132.2 million.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Lease Obligations

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. Activity in capital lease agreements during fiscal year 2001 was as follows (in thousands):

<u>Date of issuance</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>
August 15, 1995	\$ 384	—	253	131
August 15, 1995	55	—	55	—
December 17, 1997	1,415	—	874	541
November 10, 1997	1,895	—	1,313	582
June 25, 1998	2,759	—	646	2,113
August 25, 1998	5,872	—	2,497	3,375
March 18, 1999	2,911	—	1,197	1,714
October 1, 1999	4,348	—	603	3,745
January 25, 2000	6,501	—	1,866	4,635
November 21, 2000	—	12,071	1,590	10,481
May 21, 2001	—	623	33	590
	<u>\$ 26,140</u>	<u>12,694</u>	<u>10,927</u>	<u>27,907</u>

Future minimum payments under capital leases and installment sales as of June 30, 2001, are as follows (in thousands):

2002	\$ 10,666
2003	8,234
2004	5,635
2005	3,159
2006	1,752
Thereafter	<u>1,183</u>
Total minimum lease payments	30,629
Less amount representing interest	<u>(2,722)</u>
	<u>\$ 27,907</u>

The City's commitment under operating leases is not significant.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

No Obligation Debt

The City has outstanding industrial, commercial and housing development bonds, payable solely from revenues of the respective enterprises that do not constitute an indebtedness of the City and are not a charge against its general credit. This aggregate amount is immaterial to the financial statements.

(9) Retirement Plans

(a) Plan Description

The City contributes to the State-Boston Retirement System ("SBRS"), a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members and beneficiaries of the following government units:

- (1) City of Boston
- (2) Boston Redevelopment Authority
- (3) Boston Housing Authority
- (4) Boston Water & Sewer Commission
- (5) Public Health Commission
- (6) Sheriff of Suffolk County

Chapter 32 of the Massachusetts General Laws ("MGL") assigns authority to establish and amend benefit provisions of the plan to the state legislature.

The System is administered by a five-person Board of Retirement consisting of the City Auditor who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor and a fifth member chosen by the other members.

The City also participates in the Boston Retirement System ("BRS") and made benefit payments of approximately \$5.8 million for the year ended June 30, 2001. The number of BRS plan participants was frozen in 1946. Disclosures for BRS are not material and, thus, are not presented.

(b) Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Investments of the System are stated as follows:

- (a) Bonds are stated at quoted market value.
- (b) Equity securities are stated at quoted market value.
- (c) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (d) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (e) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (f) Cash is stated at carrying amount which is reconciled book balance.

(c) Membership

Membership in the System consisted of the following at January 1, 2000, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	13,192
Terminated plan members entitled to but not receiving benefits	3,783
Active plan members	<u>21,822</u>
Total membership	<u>38,797</u>
Total number of participating employers	<u>6</u>

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts (the "Commonwealth") reimburses the City for benefits paid to school teachers. The Commonwealth also reimbursed the System for a portion of benefit payments for cost of living increases granted before July 1, 1998. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's required and actual contributions to the System for the years ended June 30, 2001, 2000 and 1999 were \$127 million, \$129 million, and \$120 million, or \$88 million, \$90 million, and \$85 million, net of teachers' retirement, respectively.

During the fall of 1997 the System's Retirement Board, the City Council and the Mayor approved the option for local funding of cost of living adjustments. As a result, a locally funded cost of living adjustment of 3.0% on the first \$12,000 of a retiree's annual payment was awarded in fiscal 2000 and fiscal 2001. These cost of living adjustments will be awarded by the Retirement Board each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2000 are as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 943,897	Active members' contribution balance
Annuity reserve fund	240,119	Retired members' contribution account
Military service credit	59	Members' contribution account while on military leave
Pension reserve fund	1,188,420	Amounts appropriated to fund future retirement benefits
Pension fund	806,032	Remaining net assets
	<u>\$ 3,178,527</u>	

All reserve accounts are funded at levels required by State statute.

(f) Investment Concentration

There were no investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of plan net assets.

(10) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, the City provides postretirement health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 12,600 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 75% of Blue Cross/Blue Shield of Massachusetts ("BC/BS") premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree. The City provides for 50% of the premiums for \$5,000 of life insurance for each eligible retiree.

Expenditures of approximately \$40 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2001.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(11) Operating Transfers

Operating transfers and their purposes during the year were as follows (in thousands):

	Governmental funds	Trust funds		Discretely presented component unit
	General	Expendable	Non- expendable	PHC
Primary government:				
Trust funds	\$ 1,678	(12,103)	10,425	—
Revenue for debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,678</u>	<u>(12,103)</u>	<u>10,425</u>	<u>—</u>
Discretely presented component unit:				
Debt reimbursement	17,706	—	—	(17,706)
Operating subsidy	<u>(62,476)</u>	<u>—</u>	<u>—</u>	<u>62,476</u>
	<u>(44,770)</u>	<u>—</u>	<u>—</u>	<u>44,770</u>
	\$ <u><u>(43,092)</u></u>	<u><u>(12,103)</u></u>	<u><u>10,425</u></u>	<u><u>44,770</u></u>

(12) Fund Deficits and Excess of Expenditures

The following fund had a deficit equity balance at June 30, 2001 (in thousands):

Capital projects:	
Bond fund	\$ <u>33,891</u>
	\$ <u><u>33,891</u></u>

This fund deficit will be eliminated primarily through future bond issuances and the future receipt of federal, state and local aid.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2001 in the following categories (in thousands):

General government:	
Collective bargaining	\$ 6,279
Public Works:	
Snow removal	6,176
Employee benefits:	
Workers' compensation	770
State and district assessments:	
Special Education Chapter 766	23
School Choice	129
	<hr/>
	\$ 13,377

The excess expenditures reported above are allowed under the budgetary laws governing the City.

(13) Public Health System

Effective July 1, 1996, the City's Department of Health and Hospitals and Trustees of Health and Hospitals, a component unit, were abolished. Substantially all their assets and liabilities, including title to the City's two hospitals, Boston City Hospital ("BCH") and Boston Specialty and Rehabilitation Hospital ("BSRH"), were transferred to and assumed by the Boston Public Health Commission ("PHC").

Also effective July 1, 1996, the operations of BCH and BSRH were consolidated with the operations of the Boston University Medical Center under the licensure and control of the Boston Medical Center Corporation ("BMC").

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC and a City appropriation. During fiscal 2001, the City appropriated \$61.3 million to the PHC. As described below, the PHC uses the appropriation to pay debt service on certain general obligation bonds, base assistance grant payments to BMC and a portion of the consolidation costs to BMC. The remainder of the appropriation is used for administrative purposes and to support the various public health programs run by the PHC. The City has budgeted \$62.6 million for the PHC for fiscal 2002.

Due from PHC/BMC

On July 1, 1996, the PHC assumed a liability of \$149.8 million for a mortgage note (the "Note") held by a trustee and insured by the Federal Housing Authority ("FHA"), the balance of which is \$133.1 million at June 30, 2001. Payments made by the PHC on this Note are used, together with other funds held in trust, by the trustee to pay off the outstanding balance of \$145.6 million of the City's revenue refunding bonds dated June 1, 1993 (see note 8). The PHC receives funding for these Note payments from the BMC under a lease agreement whereby the BMC leases portions of the former BCH for an initial period of 50 years. Rental payments received under this lease are equal to the debt service costs on the Note and on all City general obligation bonds allocable to BCH. These general obligation

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

bonds were issued by the City between December 1967 and October 1995 and total \$22.8 million at June 30, 2001. These bonds pertain to the property and operations of the BCH Campus, South Block Campus, BSRH Campus, Emergency Medical Services Operations and the Long Island Campus.

In addition, the PHC and BMC are also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation and other miscellaneous expenses paid for by the City.

Payments to BMC

Under the terms of the consolidation agreement, the PHC is obligated to pay BMC \$1.0 million per year for five (5) years, beginning on July 1, 1996, to subsidize the costs of consolidation. If after 5 years, total consolidation costs total less than \$10.0 million, the PHC is entitled to a rebate in an amount that will bring the PHC's share of these costs to 50%. The fiscal year 2001 payment to BMC represents the final payment under the terms of the consolidation agreement and it is expected BMC will provide documentation of the consolidated costs as part of their year-end process.

PHC is obligated to make future base assistance grant payments to BMC totaling \$12.0 million each year until the FHA Note has been paid off (scheduled in 2020). The total base assistance grant payments for fiscal 2001 were \$12 million.

In addition, the City was required to provide a capital contribution to the BMC, not to exceed \$25.0 million, to defray a portion of the cost of capital improvements and capital needs relating to the activities conducted at, and the use of, the BCH campus leased by the BMC. The final contribution aggregating \$25.0 million was fulfilled during fiscal year 2001.

During fiscal year 1997, the City deposited \$8.0 million of unexpended general obligation debt proceeds into an escrow account which were used during fiscal years 1997 and 1998 to complete capital projects on the property leased by BMC.

In addition, during fiscal 1997, the City made \$20.0 million in contributions to a capital fund in support of the Boston HealthNet health center members. The BMC is expected to provide \$2.0 million in each of the six (6) years following the consolidation in additional support to the Boston HealthNet health center members.

(14) Risk Management

The City is self insured for general liability, property and casualty (except for boiler and machinery losses up to \$2 million), worker injury, unemployment and certain employee health claims. The City's Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations, with exposure limited by a state tort cap under Chapter 258 of the Massachusetts General Laws. Except for certain health care costs described below, judgments and claims are charged to the general fund.

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The City's health insurance program, administered by the Health Insurance and Benefits Division, a program within Human Resources, provides coverage to the City's employees and retirees through a number of Health Maintenance Organizations ("HMO") and Blue Cross/Blue Shield of Massachusetts ("BC/BS"). Costs to the City for the HMOs, of which 10% is paid by employees, are accounted for in the general fund and are capped at a defined premium payment per employee.

BC/BS acts as a third-party agent for the City in the payment of the various claim plans used by the City. Costs incurred for the operation of the BC/BS plans, of which 25% is paid by employees, are accounted for in a separate health insurance internal service fund. These costs are contained on an individual case basis by a commercial insurance policy capping costs at \$175,000 per case.

The City has implemented a comprehensive risk financing strategy that includes establishing a catastrophic risk reserve, currently with a \$5.4 million balance available for future losses. The City has also improved systems for maximizing the receipt of federal disaster funds. On July 1, 1998, the City's first property insurance policy went into effect – a three-year, all-risk catastrophic policy covering all City property assets up to \$600 million, after a \$10 million retention. Any boiler and machinery-related property loss is additionally insured, after a \$10,000 deductible, for up to \$2.5 million.

The City has established a liability based on historical trends of previous years and attorney's estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2001 and 2000 are as follows (in thousands):

	2001		2000	
	Internal service fund	General long-term obligations account group	Internal service fund	General long-term obligations account group
Judgments and claims, beginning of year	\$ 11,202	20,174	9,740	17,395
Incurred claims	59,052	17,610	62,387	33,730
Payments of claims attributable to events of both the current and prior fiscal years:				
Health and life	(60,254)	—	(60,925)	—
Workers' compensation	—	(11,595)	—	(23,142)
Unemployment compensation	—	(1,731)	—	(1,607)
Court judgments	—	(2,008)	—	(6,202)
	<u>(60,254)</u>	<u>(15,334)</u>	<u>(60,925)</u>	<u>(30,951)</u>
Judgments and claims, end of year	\$ <u>10,000</u>	<u>22,450</u>	<u>11,202</u>	<u>20,174</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys estimate that the potential claims against the City not recorded in the accompanying general purpose financial statements resulting from such litigation would not materially affect the general purpose financial statements.

(15) Discretely Presented Component Units

The following presents condensed financial statements for each of the discretely presented component units:

Condensed Balance Sheet

June 30, 2001

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Assets:					
Current assets	\$ 56,005	117,510	64,135	41,385	279,035
Due from BMC	150,204	—	—	—	150,204
Property, plant and equipment	30,147	1,245	922	23,221	55,535
Amounts to be provided for long-term debt	159,780	2,918	—	—	162,698
Total assets	<u>\$ 396,136</u>	<u>121,673</u>	<u>65,057</u>	<u>64,606</u>	<u>647,472</u>
Liabilities:					
Current liabilities	\$ 8,554	71,885	2,726	6,146	89,311
Accrued liabilities	9,834	7,069	—	2,762	19,665
Due to BMC	28,277	—	—	—	28,277
Due to primary government	156,832	—	368	—	157,200
Deferred revenue	154,533	30,761	—	9,797	195,091
Bonds and notes payable	—	1,475	—	21,062	22,537
Total liabilities	<u>358,030</u>	<u>111,190</u>	<u>3,094</u>	<u>39,767</u>	<u>512,081</u>
Equity:					
Investment in general fixed assets	30,147	1,245	922	—	32,314
Retained earnings	—	—	—	24,839	24,839
Fund balances	7,959	9,238	61,041	—	78,238
Total equity	<u>38,106</u>	<u>10,483</u>	<u>61,963</u>	<u>24,839</u>	<u>135,391</u>
Total liabilities and equity	<u>\$ 396,136</u>	<u>121,673</u>	<u>65,057</u>	<u>64,606</u>	<u>647,472</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

Condensed Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2001

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>Total</u>
Revenues	\$ 65,346	41,348	106,694
Expenditures:			
Operating and other	109,613	40,123	149,736
Capital outlay	<u>1,841</u>	<u>182</u>	<u>2,023</u>
Excess of revenues over (under) expenditures	(46,108)	1,043	(45,065)
Transfers to primary government	(17,706)	—	(17,706)
Transfers from primary government	<u>62,476</u>	<u>—</u>	<u>62,476</u>
Net changes in fund balance	(1,338)	1,043	(295)
Fund balance, beginning of year	<u>9,297</u>	<u>8,195</u>	<u>17,492</u>
Fund balance, end of year	<u>\$ 7,959</u>	<u>9,238</u>	<u>17,197</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Equity

Year ended June 30, 2001

(In thousands)

	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Operating revenues	\$ 15,447	12,180	27,627
Operating expenses:			
Depreciation	—	895	895
Other	<u>14,870</u>	<u>24,824</u>	<u>39,694</u>
Operating income (loss)	577	(13,539)	(12,962)
Other nonoperating revenues	<u>—</u>	<u>16,817</u>	<u>16,817</u>
Net income	577	3,278	3,855
Fund equity, beginning of year	<u>60,464</u>	<u>21,561</u>	<u>82,025</u>
Fund equity, end of year	<u>\$ 61,041</u>	<u>24,839</u>	<u>85,880</u>

CITY OF BOSTON, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 2001

(16) Designations of Fund Equity

Fund balance designations have been established for the PHC, BRA and TPL to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or for equipment replacement.

Designations at June 30, 2001 include (in thousands):

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>Total</u>
Infrastructure	\$ 300	—	—	300
Property repairs/renovations	2,790	—	15,086	17,876
Public health program contingencies	2,080	—	—	2,080
Affordable housing	—	700	—	700
	<u>\$ 5,170</u>	<u>700</u>	<u>15,086</u>	<u>20,956</u>

Additionally, a portion of the general fund balance has been designated by management for expenditures in fiscal 2002.

CITY OF BOSTON, MASSACHUSETTS
State-Boston Retirement System

Required Supplementary Information
(Unaudited)

(Dollar amounts in thousands)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
01/01/01	\$ 3,212,000	4,257,000	1,045,000	75.5%	\$ 990,000	105.6%
01/01/00	2,980,000	4,101,000	1,121,000	72.7%	943,000	118.9%
01/01/99	2,772,000	3,793,000	1,021,000	73.1%	803,000	127.1%
01/01/98	2,411,000	3,614,000 ⁽¹⁾	1,203,000	66.7%	768,000	156.6%
01/01/97	2,062,000	3,173,000	1,111,000	65.0%	735,000	151.2%
01/01/96	1,834,000	2,940,000	1,106,000	62.4%	777,000	142.3%

⁽¹⁾ Future cost of living increases assumed by the City.

Schedule of Contributions from Employers and the Commonwealth of Massachusetts

Year ended December 31	Annual required contribution	Percentage contributed
2000	\$ 162,561	100%
1999	166,733	100
1998	158,679	100
1997	151,645	100
1996	150,561	100
1995	141,032	100

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2001
Actuarial cost method	Individual entry age normal
Amortization method	Payment increase at 3.5% per year
Remaining amortization period	20 years (for original unfunded)
Asset valuation method	5-year smoothing of investment returns greater (less) than expected
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.5%
Inflation rate	5.0%
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income



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**AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Boston, Massachusetts:

We have audited the general purpose financial statements of the City of Boston, Massachusetts (the "City") as of and for the year ended June 30, 2001, and have issued our report, thereon, dated November 16, 2001. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our audit procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated November 16, 2001.

This report is intended solely for the information of the audit committee, elected officials, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 16, 2001





APPENDIX B

Schedules of Comparative Financial Statements for Fiscal Years 2001 - 1997

The following schedules of Comparative Balance Sheets and Statements of Revenues, Expenditures, Operating Transfers and Fund Equity for the fiscal years ended June 30, 2001, 2000, 1999, 1998 and 1997 have been prepared by the City of Boston Auditing Department based on information taken from the City's audited financial statements.

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City of Boston

General Fund

BALANCE SHEETS
June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ASSETS					
Cash and investments.....	\$ 415,294	\$ 318,677	\$ 311,064	\$ 268,056	\$ 254,640
Restricted cash and investments.....	16,280	16,280	16,280	16,280	16,280
Receivables (net, where applicable, of allowances for estimated uncollectible amounts):					
Property taxes.....	78,421	80,366	94,099	97,162	103,861
Motor vehicle excise.....	9,498	8,674	6,844	8,169	1,682
Intergovernmental.....	70,253	50,119	39,000	35,000	35,316
Departmental and other.....	2,621	2,033	8,991	3,138	4,931
Total receivables.....	<u>160,793</u>	<u>141,192</u>	<u>148,934</u>	<u>143,469</u>	<u>145,790</u>
Due from other funds.....	60,628	86,536	66,931	64,451	7,044
Due from component units.....	157,200	163,859	171,642	178,553	191,280
Total assets.....	<u>\$ 810,195</u>	<u>\$ 726,544</u>	<u>\$ 714,851</u>	<u>\$ 670,809</u>	<u>\$ 615,034</u>
LIABILITIES					
Warrants and accounts payable.....	\$ 107,471	\$ 94,984	\$ 84,037	\$ 90,023	\$ 93,487
Accrued liabilities:					
Tax abatement refunds.....	90,600	89,555	98,000	98,000	94,096
Compensated absences.....	17,000	-	-	-	-
Other.....	69,660	62,845	81,575	54,889	33,672
Due to other funds.....	4,420	11,508	9,987	2,464	777
Due to component units.....	-	-	-	2,696	-
Matured interest and bonds payable.....	438	457	458	580	641
Deferred revenue.....	254,146	246,495	264,135	279,313	286,512
Total liabilities.....	<u>\$ 543,735</u>	<u>\$ 505,844</u>	<u>\$ 538,192</u>	<u>\$ 527,965</u>	<u>\$ 509,185</u>
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances.....	\$ 38,169	\$ 41,157	\$ 33,880	\$ 24,774	\$ 22,385
Debt Service.....	16,280	16,280	16,280	16,280	16,280
Unreserved:					
Designated for subsequent year.....	30,000	-	-	-	-
Undesignated.....	182,011	163,263	126,499	101,790	67,184
Total fund balance.....	<u>266,460</u>	<u>220,700</u>	<u>176,659</u>	<u>142,844</u>	<u>105,849</u>
Total liabilities and fund	<u>\$ 810,195</u>	<u>\$ 726,544</u>	<u>\$ 714,851</u>	<u>\$ 670,809</u>	<u>\$ 615,034</u>

City of Boston

General Fund

**Statement of Revenues, Expenditures, Other Financing
Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997
Partially Restated for Comparative Purposes
(in thousands)**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUES:					
Local:					
Real and personal property taxes, net.....	\$ 874,868	\$ 869,295	\$ 792,569	\$ 754,561	\$ 720,577
Excises.....	72,645	68,656	68,238	67,241	63,539
Payments in lieu of taxes.....	72,720	56,423	63,022	56,224	52,337
Fines.....	57,840	57,709	47,693	46,292	48,798
Investment income.....	26,289	19,255	17,884	18,526	16,588
Licenses and permits.....	36,795	28,892	24,010	21,833	19,009
Departmental and other revenue.....	58,306	45,490	56,415	50,241	47,968
Total local revenues.....	<u>1,199,463</u>	<u>1,145,720</u>	<u>1,069,831</u>	<u>1,014,918</u>	<u>968,816</u>
Intergovernmental:					
Commonwealth of Massachusetts.....	493,278	475,813	456,958	414,778	380,440
Total intergovernmental revenues.....	<u>493,278</u>	<u>475,813</u>	<u>456,958</u>	<u>414,778</u>	<u>380,440</u>
Total revenues.....	<u>1,692,741</u>	<u>1,621,533</u>	<u>1,526,789</u>	<u>1,429,696</u>	<u>1,349,256</u>
EXPENDITURES:					
Current:					
General government.....	67,913	65,132	54,283	43,850	55,358
Human services.....	5,464	4,916	4,969	4,717	5,256
Public safety.....	373,362	358,855	353,118	322,190	292,935
Public works.....	77,241	69,689	70,019	60,163	55,843
Property and development.....	41,300	35,230	31,805	31,934	30,519
Parks and recreation.....	15,547	13,700	13,216	11,783	11,272
Library.....	30,360	27,792	27,441	24,468	24,014
Schools.....	611,368	578,583	537,585	505,795	478,659
County.....	6,030	5,861	7,362	8,267	7,657
Judgments and claims.....	5,011	6,911	7,585	7,911	20,136
Other employee benefits.....	90,501	86,221	84,493	76,279	75,693
Retirement costs.....	84,970	96,019	83,341	75,382	72,299
State and district assessments.....	66,788	66,995	65,569	64,187	62,457
Debt Service.....	123,977	114,486	111,683	102,445	100,523
Capital outlays.....	4,057	5,868	7,081	6,403	4,783
Total expenditures.....	<u>1,603,889</u>	<u>1,536,258</u>	<u>1,459,550</u>	<u>1,345,774</u>	<u>1,297,404</u>
Excess of revenues over expenditures.....	<u>88,852</u>	<u>85,275</u>	<u>67,239</u>	<u>83,922</u>	<u>51,852</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in.....	19,384	19,662	20,916	19,751	38,441
Operating transfers out.....	(62,476)	(60,896)	(54,340)	(66,678)	(60,890)
Total other financing uses, net.....	<u>(43,092)</u>	<u>(41,234)</u>	<u>(33,424)</u>	<u>(46,927)</u>	<u>(22,449)</u>
Excess of revenues and other financing sources over expenditures and other financing uses.....	<u>45,760</u>	<u>44,041</u>	<u>33,815</u>	<u>36,995</u>	<u>29,403</u>
Fund balance, beginning of year	220,700	176,659	142,844	105,849	76,446
Fund balance, end of year.....	<u>\$ 266,460</u>	<u>\$ 220,700</u>	<u>\$ 176,659</u>	<u>\$ 142,844</u>	<u>\$ 105,849</u>

City of Boston

General Fund - Budgetary Basis

**Statement of Revenues, Transfers, Available Funds, Expenditures,
Encumbrances and Prior Years' Deficit Raised - Budget to Actual
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997
Partially Restated for Comparative Purposes
(in thousands)**

	<u>2001</u>		<u>2000</u>		<u>1999</u>		<u>1998</u>		<u>1997</u>	
	<u>Actual</u>	Variance Fav. (Unfav.)	<u>Actual</u>	Variance Fav. (Unfav.)	<u>Actual</u>	Variance Fav. (Unfav.)	<u>Actual</u>	Variance Fav. (Unfav.)	<u>Actual</u>	Variance Fav. (Unfav.)
Revenues, Transfers and Other Available Funds:										
Real and personal property taxes, ne	\$ 874,013	\$ 169	\$ 824,980	\$ 454	\$ 779,656	\$ 3,068	\$ 731,872	\$ (9,051)	\$ 710,953	\$ 37
Motor vehicle excise.....	41,822	4,802	36,962	5,942	29,428	(4,093)	32,341	3,721	30,276	5,256
Other excises.....	63,651	(9,421)	59,222	(5,887)	66,229	6,392	60,485	3,948	59,072	8,061
Departmental and other revenue.....	53,100	7,210	46,096	5,843	54,137	4,411	45,431	4,963	46,569	10,023
Hospital.....	-	-	-	-	-	-	-	-	-	-
Commonwealth of Massachusetts....	525,169	952	513,681	1,078	494,623	8,585	450,011	(144)	415,066	(2,073)
Payments in lieu of taxes.....	39,994	8,848	29,269	(729)	35,970	1,997	29,947	(532)	26,377	(249)
Licenses and permits.....	37,824	13,459	28,652	7,924	20,897	714	23,431	8,130	17,410	175
Investment income.....	26,084	6,084	21,886	5,386	17,423	2,123	16,711	5,568	16,762	2,745
Fines.....	59,769	1,337	55,942	(1,935)	47,473	(1,602)	46,292	2,025	48,964	3,315
Other available funds.....	8,355	(17,323)	6,667	(5,969)	3,089	(8,175)	9,200	(4,300)	9,200	(138)
Transfers from other funds.....	-	-	-	-	-	-	-	-	-	-
Sale of property.....	-	-	500	-	500	-	500	-	500	-
Total revenues, transfers and other available funds.....	<u>1,729,781</u>	<u>16,117</u>	<u>1,623,857</u>	<u>12,107</u>	<u>1,549,425</u>	<u>13,420</u>	<u>1,446,221</u>	<u>14,328</u>	<u>1,381,149</u>	<u>27,152</u>
Expenditures and Encumbrances:										
General government.....	73,696	(3,864)	65,495	1,481	64,391	370	47,027	1,270	58,116	(10,788)
Public safety.....	381,275	1,123	363,691	(1,922)	351,854	(933)	334,319	(5,734)	304,123	(2,621)
Public works.....	78,044	(6,086)	70,715	(1,546)	68,489	(3,003)	61,330	(314)	57,442	(1,752)
Property and development.....	53,523	246	34,968	17	32,002	503	32,259	219	30,879	900
Parks and recreation.....	15,262	122	13,944	174	13,366	166	11,976	451	11,315	298
Library.....	29,981	-	28,160	17	27,416	139	24,515	434	24,016	-
Human services.....	5,598	109	5,103	245	5,092	483	4,941	482	5,382	235
Schools.....	611,925	18	579,181	22	543,373	7	507,172	43	475,612	11
Health and Hospitals.....	-	-	-	-	-	-	-	-	-	-
Public Health Commission.....	62,141	-	58,213	-	53,502	-	66,678	-	60,890	-
County.....	6,030	-	5,854	-	7,364	17	8,311	30	7,662	22
Judgments and claims.....	2,008	-	6,203	(2,103)	8,102	(3,990)	7,904	(3,793)	17,938	(9,438)
Other employee benefits.....	95,132	508	86,600	(548)	82,681	1	74,178	154	76,889	(1,847)
Retirement costs.....	133,775	-	134,529	-	126,554	-	111,024	20	107,159	(882)
Debt service.....	105,978	-	96,005	-	91,925	527	82,973	113	78,565	924
State and district assessments.....	66,788	332	66,995	257	65,569	38	64,187	(276)	62,457	490
Total expenditures.....	<u>1,721,156</u>	<u>(7,492)</u>	<u>1,615,656</u>	<u>(3,906)</u>	<u>1,541,680</u>	<u>(5,675)</u>	<u>1,438,794</u>	<u>(6,901)</u>	<u>1,378,445</u>	<u>(24,448)</u>
Excess of revenues available for appropriation over expenditure:	<u>\$ 8,625</u>	<u>\$ 8,625</u>	<u>\$ 8,201</u>	<u>\$ 8,201</u>	<u>\$ 7,745</u>	<u>\$ 7,745</u>	<u>\$ 7,427</u>	<u>\$ 7,427</u>	<u>\$ 2,704</u>	<u>\$ 2,704</u>

City of Boston

Special Revenue Fund

BALANCE SHEETS

June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ASSETS					
Cash and investments.....	\$ 103,877	\$ 71,624	\$ 146,402	\$ 96,338	\$ 102,294
Restricted cash and investments.....	-	-	2,137	-	4,175
Receivables (net, where applicable, of allowances for estimated uncollectible amounts):					
Intergovernmental.....	27,147	65,671	53,853	37,764	19,110
Departmental and other.....	13,146	1,316	1,665	2,228	802
Total receivables.....	<u>40,293</u>	<u>66,987</u>	<u>55,518</u>	<u>39,992</u>	<u>19,912</u>
Due from other funds.....	4,291	29,527	2,237	2,325	174
Other assets.....	-	-	300	271	-
Total assets.....	<u><u>\$ 148,461</u></u>	<u><u>\$ 168,138</u></u>	<u><u>\$ 206,594</u></u>	<u><u>\$ 138,926</u></u>	<u><u>\$ 126,555</u></u>
LIABILITIES					
Warrants and accounts payable.....	\$ 10,199	\$ 32,301	\$ 54,476	\$ 25,419	\$ 23,093
Accrued liabilities:					
Other.....	21,296	33,926	33,946	31,809	35,797
Due to other funds.....	3,724	31,714	24,659	19,918	1,582
Total liabilities.....	<u>35,219</u>	<u>97,941</u>	<u>113,081</u>	<u>77,146</u>	<u>60,472</u>
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances and continuing appropriation	60,231	62,980	59,355	56,675	62,856
Unreserved:					
Designated.....	-	-	14,826	-	-
Undesignated.....	53,011	7,217	19,332	5,105	3,227
Total fund balance.....	<u>113,242</u>	<u>70,197</u>	<u>93,513</u>	<u>61,780</u>	<u>66,083</u>
Total liabilities and fund balance..	<u><u>\$ 148,461</u></u>	<u><u>\$ 168,138</u></u>	<u><u>\$ 206,594</u></u>	<u><u>\$ 138,926</u></u>	<u><u>\$ 126,555</u></u>

City of Boston

Special Revenue Fund

**Statement of Revenues, Expenditures, Other Financing
Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUES:					
Local:					
Departmental and other revenue.....	\$ 80,467	\$ 34,135	\$ 36,114	\$ 16,471	\$ 22,877
Total local revenues.....	<u>80,467</u>	<u>34,135</u>	<u>36,114</u>	<u>16,471</u>	<u>22,877</u>
Intergovernmental:					
Federal.....	152,967	146,367	143,697	143,714	128,055
Commonwealth of Massachusetts.....	127,315	109,063	116,211	99,051	94,515
Total intergovernmental revenues.....	<u>280,282</u>	<u>255,430</u>	<u>259,908</u>	<u>242,765</u>	<u>222,570</u>
Total revenues.....	<u>360,749</u>	<u>289,565</u>	<u>296,022</u>	<u>259,236</u>	<u>245,447</u>
EXPENDITURES:					
Current operations:					
General government.....	9,312	7,185	5,782	3,539	25,207
Human services.....	4,956	3,757	4,542	3,845	4,154
Public safety.....	20,556	23,060	26,453	23,354	21,995
Public works.....	589	614	419	280	145
Parks and recreation.....	665	2,147	4,474	4,228	4,389
Libraries.....	1,238	1,089	1,222	1,337	1,164
Schools.....	115,580	91,058	76,522	71,189	65,960
County.....	87,462	83,974	70,068	71,648	71,277
Community development.....	69,026	60,875	70,512	85,082	63,769
Capital outlays.....	3,999	3,537	5,166	7,294	6,102
Debt service.....	4,321	22,549	3,424	2,175	1,486
Total expenditures.....	<u>317,704</u>	<u>299,845</u>	<u>268,584</u>	<u>273,971</u>	<u>265,648</u>
Excess (deficiency) of revenues over expenditures.	<u>43,045</u>	<u>(10,280)</u>	<u>27,438</u>	<u>(14,735)</u>	<u>(20,201)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of debt.....	-	1,790	5,015	20,000	-
Operating transfers out, net.....	-	(14,826)	(720)	(9,568)	(707)
Total other financing sources (uses), net.....	<u>-</u>	<u>(13,036)</u>	<u>4,295</u>	<u>10,432</u>	<u>(707)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	43,045	(23,316)	31,733	(4,303)	(20,908)
Fund balance, beginning of year	70,197	93,513	61,780	66,083	89,825
Adjustments to beginning fund balance.....	-	-	-	-	(2,834)
Fund balance, end of year.....	<u>\$ 113,242</u>	<u>\$ 70,197</u>	<u>\$ 93,513</u>	<u>\$ 61,780</u>	<u>\$ 66,083</u>

City of Boston

Capital Projects Fund

BALANCE SHEETS

June 30, 2001, 2000, 1999, 1998 and 1997

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ASSETS					
Cash and investments.....	\$ 90,976	\$ 60,347	\$ 113,634	\$ 48,021	\$ 47,033
Receivables (net, where applicable, of allowances for estimated uncollectible amounts):					
Intergovernmental.....	-	309	-	-	-
Departmental and other.....	-	315	-	-	-
Total receivables.....	<u>-</u>	<u>624</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from other funds.....	388	1,741	6,940	1,206	-
Other assets.....	-	-	1,625	-	-
Total assets.....	<u><u>\$ 91,364</u></u>	<u><u>\$ 62,712</u></u>	<u><u>\$ 122,199</u></u>	<u><u>\$ 49,227</u></u>	<u><u>\$ 47,033</u></u>
LIABILITIES					
Warrants and accounts payable.....	\$ 5,732	\$ 7,266	\$ 5,668	\$ 18,477	\$ 16,377
Accrued liabilities:					
Other.....	1,788	1,788	1,788	1,787	-
Due to other funds.....	58,026	75,385	42,208	43,743	1,506
Due to other governments.....	732	482	545	-	-
Total liabilities.....	<u>66,278</u>	<u>84,921</u>	<u>50,209</u>	<u>64,007</u>	<u>17,883</u>
FUND BALANCES AND OTHER CREDITS					
Reserved for:					
Encumbrances and other.....	176,212	141,480	160,740	140,900	158,763
Unreserved:					
Undesignated.....	<u>(151,126)</u>	<u>(163,689)</u>	<u>(88,750)</u>	<u>(155,680)</u>	<u>(129,613)</u>
Total fund balance.....	<u>25,086</u>	<u>(22,209)</u>	<u>71,990</u>	<u>(14,780)</u>	<u>29,150</u>
Total liabilities and fund balance.....	<u><u>\$ 91,364</u></u>	<u><u>\$ 62,712</u></u>	<u><u>\$ 122,199</u></u>	<u><u>\$ 49,227</u></u>	<u><u>\$ 47,033</u></u>

City of Boston

Capital Projects Fund

Statement of Revenues, Expenditures, Other Financing
Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUES:					
Local:					
Investment income.....	\$ -	\$ -	\$ 99	\$ -	\$ -
Departmental and other revenue.....	23,444	3,959	2,608	2,255	2,116
Total local revenues.....	<u>23,444</u>	<u>3,959</u>	<u>2,707</u>	<u>2,255</u>	<u>2,116</u>
Intergovernmental:					
Federal.....	1,787	1,760	5	1,053	220
Commonwealth of Massachusetts.....	49,845	8,060	17,645	17,343	10,205
Total intergovernmental revenues.....	<u>51,632</u>	<u>9,820</u>	<u>17,650</u>	<u>18,396</u>	<u>10,425</u>
Total revenues.....	<u>75,076</u>	<u>13,779</u>	<u>20,357</u>	<u>20,651</u>	<u>12,541</u>
EXPENDITURES:					
Capital outlays.....	185,475	255,991	201,237	190,615	131,096
Debt Service.....	-	-	293	432	1,250
Total expenditures.....	<u>185,475</u>	<u>255,991</u>	<u>201,530</u>	<u>191,047</u>	<u>132,346</u>
Excess (deficiency) of revenues over expenditures.....	<u>(110,399)</u>	<u>(242,212)</u>	<u>(181,173)</u>	<u>(170,396)</u>	<u>(119,805)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds, installment notes and leasing financings.....	209,719	145,330	266,025	179,838	117,726
Payments to escrow agent for refunded debt.....	(52,025)	-	2,000	(62,908)	-
Operating transfers in (out), net.....	-	2,683	(82)	9,536	(17,188)
Total other financing sources, net.....	<u>157,694</u>	<u>148,013</u>	<u>267,943</u>	<u>126,466</u>	<u>100,538</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	<u>47,295</u>	<u>(94,199)</u>	<u>86,770</u>	<u>(43,930)</u>	<u>(19,267)</u>
Fund (deficit) balance, beginning of year	(22,209)	71,990	(14,780)	29,150	48,417
Fund balance (deficit), end of year.....	<u>\$ 25,086</u>	<u>\$ (22,209)</u>	<u>\$ 71,990</u>	<u>\$ (14,780)</u>	<u>\$ 29,150</u>

City of Boston

Internal Service Fund

BALANCE SHEETS

June 30, 2001, 2000, 1999, 1998 and 1997

(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ASSETS					
Cash and cash equivalents.....	\$ 7,714	\$ 4,044	\$ 4,354	\$ -	\$ -
Receivables:					
Departmental and other receivables....	49	101	-	103	900
Due from other funds and sources.....	791	761	754	782	912
Other assets.....	<u>1,776</u>	<u>1,193</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>10,330</u>	<u>6,099</u>	<u>5,108</u>	<u>885</u>	<u>1,812</u>
LIABILITIES					
Accrued Liabilities:					
Judgments and claims.....	10,000	11,202	9,740	\$ 10,363	\$ 11,195
Warrants and accounts payable.....	<u>22</u>	<u>-</u>	<u>698</u>	<u>1,418</u>	<u>2,420</u>
Total liabilities.....	<u>10,022</u>	<u>11,202</u>	<u>10,438</u>	<u>11,781</u>	<u>13,615</u>
FUND EQUITY					
Retained deficit.....	<u>308</u>	<u>(5,103)</u>	<u>(5,330)</u>	<u>(10,896)</u>	<u>(11,803)</u>
Total fund equity.....	<u>308</u>	<u>(5,103)</u>	<u>(5,330)</u>	<u>(10,896)</u>	<u>(11,803)</u>
Total liabilities and fund equity..	<u><u>\$ 10,330</u></u>	<u><u>\$ 6,099</u></u>	<u><u>\$ 5,108</u></u>	<u><u>\$ 885</u></u>	<u><u>\$ 1,812</u></u>

City of Boston

Internal Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Equity
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUES					
Employer contributions.....	\$ 47,660	\$ 45,629	\$ 47,447	\$ 45,998	\$ 49,744
Employee contributions.....	16,744	15,177	16,307	15,582	16,653
Miscellaneous.....	1,807	719	1,443	256	442
Total revenues.....	<u>66,211</u>	<u>61,525</u>	<u>65,197</u>	<u>61,836</u>	<u>66,839</u>
EXPENDITURES					
Administrative and general.....	546	373	386	364	421
Benefits.....	60,254	60,925	59,245	60,565	57,869
Total expenditures...	<u>60,800</u>	<u>61,298</u>	<u>59,631</u>	<u>60,929</u>	<u>58,290</u>
Operating income ...	5,411	227	5,566	907	8,549
Fund (deficit), beginning of year.....	(5,103)	(5,330)	(10,896)	(11,803)	(20,352)
Fund equity (deficit), end of year.....	<u>\$ 308</u>	<u>\$ (5,103)</u>	<u>\$ (5,330)</u>	<u>\$ (10,896)</u>	<u>\$ (11,803)</u>

City of Boston

Debt Service Fund

BALANCE SHEETS

June 30, 2001, 2000, 1999, 1998 and 1997
(in thousands)

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
ASSETS					
Cash and investments.....	\$ 52,873	\$ 37,630	\$ -	\$ -	\$ -
Total assets.....	<u>\$ 52,873</u>	<u>\$ 37,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE					
Fund balance:					
Reserved for debt service.....	\$ 52,873	\$ 37,630	\$ -	\$ -	\$ -
Total fund balance.....	<u>52,873</u>	<u>37,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance....	<u>\$ 52,873</u>	<u>\$ 37,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Boston

Debt Service Fund

**Statement of Revenues, Expenditures, Other Financing
Sources (Uses) and Changes in Fund Balance
Fiscal Years Ending June 30, 2001, 2000, 1999, 1998 and 1997**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUES:					
Departmental and other.....	\$ 21,902	\$ 28,369	-	-	-
Total revenues.....	<u>21,902</u>	<u>28,369</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Debt service.....	<u>6,659</u>	<u>5,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>6,659</u>	<u>5,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures.....	<u>15,243</u>	<u>22,804</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES:					
Operating transfers in, net.....	<u>-</u>	<u>14,826</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources net.....	<u>-</u>	<u>14,826</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures.....	<u>15,243</u>	<u>37,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>37,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 52,873</u>	<u>\$ 37,630</u>	<u>-</u>	<u>-</u>	<u>-</u>

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APPENDIX C

AUTHORIZATIONS AND PURPOSES

The bonds will be issued in the amounts, for the various municipal purposes, pursuant to the statutory authorizations and under loan orders of the City Council effective on the dates indicated in the following table. The City, upon consultation with Bond Counsel, may change certain of the purposes for which the Bonds are issued. Such changes, however, if any, will not modify the final maturity schedule or terms of the Bonds as set forth on the cover page of this Official Statement.

Amount	Purpose Name	Statute	Effective Date
\$2,107,361.64	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	July 21, 1998
\$24,697,219.31	School Project Loan	C70B	June 30, 1998
\$26,073.14	Capital Improvements - Act '73	C642 s7A Act 1973	December 5, 1986
\$18,891.12	Urban Renewal - Campus High	C121B s20	December 5, 1986
\$143,750.99	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	December 15, 1986
\$260,103.45	Remodeling & Extraordinary Repairs	C44 s7 (3A)	March 13, 1987
\$2,353.93	Capital Improvements - Act '73	C642 s7A Act 1973	December 31, 1987
\$34,249.21	Remodeling & Extraordinary Repairs	C44 s7 (3A)	January 21, 1988
\$218,166.61	Construction of Bridges	C44 s7 (4)	January 21, 1988
\$682,718.46	Construction of Public Ways	C44 s7 (5)	May 30, 1989
\$49,052.62	Remodeling & Extraordinary Repairs	C44 s7 (3A)	May 30, 1989 amended on November 28, 1989
\$99,470.68	Remodeling & Extraordinary Repairs	C44 s7 (3A)	May 30, 1989
\$32,072.40	Remodeling & Extraordinary Repairs; Parks & Recreation Facilities	C44 s7 (3A)	May 30, 1989 amended on November 28, 1989
\$52,796.07	Traffic Signal, Public Lighting, Police Comm., and/or Fire Alarm Installations	C44 s7 (14)	June 27, 1990
\$76,783.09	Construction of Public Ways	C44 s7 (5)	June 27, 1990
\$129,639.06	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	June 27, 1990

Amount	Purpose Name	Statute	Effective Date
\$158,269.77	Construction of Bridges	C44 s7 (4)	June 27, 1990
\$580,006.18	Construction of Buildings; Acquisition of Land	C44 s7 (3)	April 24, 1991 amended on April 23, 1992, June 4, 1993, June 23, 1995, July 1, 1996
\$88,816.82	Remodeling & Extraordinary Repairs	C44 s7 (3A)	April 23, 1992
\$2,226,928.95	Traffic Signal, Public Lighting, Police Comm., and/or Fire Alarm Installations	C44 s7 (14)	April 23, 1992 amended on May 25, 1994, June 23, 1995, June 25, 1996, October 21, 1997
\$7,287.82	Capital Improvements - Act '91	C642 s7B Act 1991	May 14, 1993
\$153,166.19	Urban Renewal - Charlestown Navy Yard	C121B s20	May 14, 1993
\$2,795,104.93	Construction of Bridges	C44 s7 (4)	June 4, 1993 amended on May 25, 1994, June 23, 1995, June 25, 1996
\$223,254.45	Capital Improvements - Act '91; School Dept.	C642 s7B Act 1991	May 4, 1994
\$129,414.54	Capital Improvements - Act '91	C642 s7B Act 1991	May 4, 1994
\$2,484.94	Capital Improvements - Act '91	C642 s7B Act 1991	May 4, 1994
\$1,281,763.82	Construction of Public Ways	C44 s7 (5)	May 25, 1994 amended on June 25, 1996
\$401,863.45	Departmental Equipment	C44 s7 (9)	May 25, 1994 amended on June 23, 1995, October 21, 1997

Amount	Purpose Name	Statute	Effective Date
\$144,910.77	Engineering & Architectural Services	C44 s7 (22)	May 25, 1994 amended on June 25, 1996
\$435,401.01	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	May 25, 1994 amended on June 23, 1995, June 25, 1996, October 21, 1997, July 21, 1998
\$60,029.49	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	May 25, 1994
\$32,924.64	Capital Improvements - Act '91	C642 s7B Act 1991	June 2, 1995
\$1,370,100.90	Capital Improvements - Act '91	C642 s7B Act 1991	June 2, 1995
\$364,560.88	Urban Renewal - All Areas	C121B s20	June 2, 1995 amended on June 4, 1996, September 30, 1997
\$652,586.49	Remodeling & Extraordinary Repairs	C44 s7 (3A)	June 23, 1995 amended on October 21, 1997
\$195,880.86	Remodeling & Extraordinary Repairs	C44 s7 (3A)	June 23, 1995
\$770,123.06	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	June 23, 1995
\$1,362,339.83	Remodeling & Extraordinary Repairs; Health & Hospitals Dept.	C44 s7 (3A)	June 23, 1995 amended on July 21, 1998
\$26,937.06	Engineering & Architectural Services	C44 s7 (22)	June 23, 1995
\$5,280.59	Construction of Buildings; Acquisition of Land	C44 s7 (3)	June 23, 1995
\$7,012.52	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	June 23, 1995
\$616,270.42	Remodeling & Extraordinary Repairs	C44 s7 (3A)	October 21, 1997
\$192,532.67	Capital Improvements - Act '91	C642 s7B Act 1991	June 4, 1996
\$1,266,778.25	Capital Improvements - Act '96	C642 s7C Act 1996	June 4, 1996

Amount	Purpose Name	Statute	Effective Date
\$233,360.50	Departmental Equipment	C44 s7 (9)	June 25, 1996 amended on October 21, 1997
\$239,424.12	Acquisition of Land; Cemeteries	C44 s7 (20)	June 25, 1996
\$129,624.31	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	June 25, 1996 amended on October 30, 1997
\$1,218,064.15	Capital Improvements - Act '96	C642 s7C Act 1996	July 9, 1996 amended on September 30, 1997, October 28, 1997, May 12, 1998
\$7,784,993.00	School Project Loan	C70B	July 9, 1996 amended on September 30, 1997, October 28, 1997, May 12, 1998
\$45,608.46	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	July 30, 1996 amended on October 21, 1997, October 28, 1997, June 1, 1998
\$493,944.10	Capital Improvements - Act '91	C642 s7B Act 1991	July 11, 1996
\$952,308.97	Remodeling & Extraordinary Repairs	C44 s7 (3A)	October 21, 1997
\$184,467.06	Capital Improvements - Act '96	C642 s7C Act 1996	August 5, 1996
\$1,596,661.67	Urban Renewal - Boston Housing Authority	C121B s20	September 30, 1997
\$475,303.13	Remodeling & Extraordinary Repairs	C44 s7 (3A)	October 21, 1997
\$478,852.32	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	October 21, 1997
\$33,841.60	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	October 21, 1997
\$442,125.70	Capital Improvements - Act '96; Neighborhood Development	C642 s7C Act 1996	June 30, 1998

Amount	Purpose Name	Statute	Effective Date
\$359,067.71	Computer Hardware	C44 s7 (28)	July 21, 1998
\$194,614.14	Departmental Equipment	C44 s7 (9)	July 21, 1998
\$100,107.38	Acquisition of Fire or Police Boats	C44 s7 (13)	July 21, 1998
\$149,997.18	Remodeling & Extraordinary Repairs	C44 s7 (3A)	July 21, 1998
\$1,661,137.65	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	July 21, 1998
\$32,578.45	Capital Improvements - Act '96	C642 s7C Act 1996	October 27, 1998
\$66,372.40	Computer Hardware	C44 s7 (28)	August 12, 1999
\$336,397.25	Engineering & Architectural Services	C44 s7 (22)	August 12, 1999
\$81,868.71	Acquisition of Land; Cemeteries	C44 s7 (20)	August 12, 1999
\$98,613.46	Capital Improvements - Act '96	C642 s7C Act 1996	July 22, 1999
\$4,852,645.07	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	August 12, 1999
\$7,998,232.87	Remodeling & Extraordinary Repairs	C44 s7 (3A)	August 12, 1999
\$1,451,110.72	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	December 15, 1999
\$1,501,610.75	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	February 29, 2000
\$1,138,882.76	Construction of Buildings; Acquisition of Land	C44 s7 (3)	August 7, 2000
\$1,049,751.26	Remodeling & Extraordinary Repairs	C44 s7 (3A)	August 7, 2000
\$4,123,827.35	Construction of Public Ways	C44 s7 (5)	August 7, 2000
\$502,194.45	Departmental Equipment	C44 s7 (9)	August 7, 2000
\$116,375.83	Fire Fighting Apparatus - Remodeling, Reconstruction or Rehabilitation of	C44 s7 (9a)	August 7, 2000
\$2,063,628.60	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	August 7, 2000

Amount	Purpose Name	Statute	Effective Date
\$692,946.42	Computer Hardware	C44 s7 (28)	August 7, 2000
\$496,989.90	Capital Improvements - Act '96	C642 s7C Act 1996	July 17, 2000
\$2,537,413.77	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	August 7, 2000
\$39,652.53	Computer Hardware	C44 s7 (28)	August 7, 2000
\$700,751.68	Remodeling & Extraordinary Repairs; School Dept.	C44 s7 (3A)	August 28, 2000
\$1,003,956.50	Traffic Signal, Public Lighting, Police Comm., and/or Fire Alarm Installations	C44 s7 (14)	September 29, 2000
\$1,501,610.75	Remodeling & Extraordinary Repairs	C44 s7 (3A)	May 1, 2001
\$440,472.49	Construction of Buildings; Acquisition of Land	C44 s7 (3)	September 7, 2001
\$3,978,250.82	Remodeling & Extraordinary Repairs	C44 s7 (3A)	September 7, 2001
\$940,744.19	Construction of Bridges	C44 s7 (4)	August 16, 2001
\$91,083.31	Construction of Public Ways	C44 s7 (5)	September 7, 2001
\$71,961.78	Departmental Equipment	C44 s7 (9)	September 7, 2001
\$1,021,444.19	Acquisition of Land; Parks & Playgrounds Outdoor Facilities	C44 s7 (25)	September 7, 2001
\$112,395.51	Capital Improvements - Act '91	C642 s7B Act 1991	August 17, 2001
\$100,000,000.00			

PROPOSED FORM OF LEGAL OPINION

PALMER & DODGE LLP111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

(Date of Delivery)

Collector-Treasurer and
Chief Financial Officer
City of Boston
City Hall
Boston, Massachusetts

(\$100,000,000 City of Boston, Massachusetts
General Obligation Bonds, 2002 Series A,
dated February 1, 2002)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$100,000,000 General Obligation Bonds, 2002 Series A, dated February 1, 2002, by the City of Boston, Massachusetts.

On the basis of this examination we are of opinion, as of the date hereof and under existing law, as follows:

(1) The bonds are valid general obligations of the City of Boston and except to the extent they are paid from other sources the principal of and interest on the bonds are payable from taxes which may be levied without limitation as to rate or amount upon all taxable property in the City.

(2) The interest on the bonds is exempt from Massachusetts personal income taxes, and the bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the bonds.

(3) The interest on the bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds.

We express no opinion regarding other federal tax consequences arising with respect to the bonds.

The rights of the holders of the bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Boston, Massachusetts (the "City") in connection with the issuance of its \$100,000,000 General Obligation Bonds, 2002 Series A, dated February 1, 2002 (the "Bonds"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than 365 days after the end of each fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted when available separately from the balance of the Annual Report.

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

- (a) quantitative information for the preceding fiscal year of the type presented in the City's Official Statement dated February 13, 2002 relating to the Bonds regarding (i) the revenues and expenditures of the City relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the City, and (vi) pension obligations of the City, and
- (b) the most recently available audited financial statements of the City, prepared in accordance with generally accepted accounting principles.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The City shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, 4, 5 and 10 above are not applicable to the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the City), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 8. Default. In the event of a failure of the City to comply with any provision of

this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the City of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action for specific performance of the City's obligations hereunder and not for money damages in any amount.

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: February __, 2002

CITY OF BOSTON, MASSACHUSETTS

By _____
Collector-Treasurer and Chief Financial Officer

Mayor

City Auditor

[EXHIBIT A – NATIONAL REPOSITORIES]

[EXHIBIT B – NOTICE OF FAILURE TO FILE ANNUAL REPORT]

THE ECONOMY

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General

The City is the economic hub of both the Commonwealth and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, as well as transportation, communications, export, cultural and entertainment activities. As a government center, the City is the state capital and is host to several federal offices. High technology, research and development, manufacturing, and wholesale distribution also contribute to the economy of the City and its suburbs.

The City is the twentieth largest city in the United States and the center of the seventh largest Consolidated Metropolitan Statistical Area ("CMSA") in the nation, consisting of the Boston Primary Metropolitan Statistical Area ("PMSA") plus the contiguous PMSAs of Brockton, Fitchburg-Leominster, Lawrence, Lowell, Manchester (NH), Nashua (NH), New Bedford, Portsmouth-Rochester (NH-ME), and Worcester (MA-CT). The Boston CMSA had a population of 5,819,100 in 2000, as reported by the U.S. Department of Commerce, Bureau of the Census (the "Bureau of the Census"). In 2000, the City had a population of 589,141, as reported by the Bureau of the Census, and had 693,647 jobs as reported by the U.S. Bureau of Economic Analysis from data of the Massachusetts Division of Employment and Training. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, the City's economy comprises approximately 18% of the Massachusetts economy and 10% of that of the six New England states.

Overview of Current Economic Conditions

As Boston ended the year 2001 signs of a slowing economy in Massachusetts, metropolitan Boston and the City were evident, particularly from data at the state level which has more frequent and more thorough indicators of economic growth than those solely for the City of Boston. Boston's slower economic growth in 2001 is clear given preliminary and incomplete information, including: an increasing unemployment rate, a growing number of initial and a higher level of continuing unemployment claims, a falling hotel occupancy rate and lower average daily hotel room rate, a growing office vacancy rate, and a slowing in residential sales. The Boston economy, however, continued to grow in the year 2000 even though indicators showed a level of growth below that of the pace of 1999. Boston's office, hotel, and housing markets were among the strongest in the nation at mid-year 2000 but have shown signs of slowing since that time and continuing into late 2001.

Despite Boston's economic slow-down, the city continued to add jobs, reaching an all-time high in 2000; and then adding more in 2001 as indicated by first and second-quarter statistics. The City's diverse economy based on financial and business services, research and development, health care and higher education, and tourism and retail trade, is poised to withstand the current economic problems. Between 1992 and 2000, a total of 115,027 jobs were added in Boston, according to data from the U.S. Bureau of Economic Analysis. Preliminary data through June, also show a gain of employment in 2001.

Many indicators of Boston's economic performance in 2001 are registering weakness given the twin factors of a burgeoning economic recession which was evident in the summer of 2001 plus the tragic events of September 11th which compounded the slow-down. Unemployment rates, which had declined to a low of 1.9%, 2.2%, and 2.6% in the Boston metropolitan area, the Commonwealth, and in the City, respectively, by the end of 2000, have risen to levels of between 3.5% and 4.2% by December of 2001. Boston's office market, which ranked second best among the 20 largest downtown office markets in the nation in June of 2000 has fallen in performance to eighth place out of the 20 largest downtown office markets according to the real estate firm CB Richard Ellis as of September 2001. Hotel occupancy has fallen to 72% through November of 2001 after being above 80% in the year 2000. Additionally, the total number of residential sales, which had improved markedly from 1992 through 2000, have shown signs of slowing as measured by single-family and condominium sales. Residential prices, though, continue to hold steady.

This report presents the major economic, demographic, and market indicators for the Boston economy. For the most part, they demonstrate that the City's economy was very strong through the 1990s and into the year 2000. By late 2001 the economic slowdown was part of a national recession expected to last through mid-2002. Regional economic conditions in New England, Massachusetts, greater Boston and the City of Boston appeared, as of January 2002, to be no worse and maybe even less severe than the

economic problems nationally. Boston's economy continues to serve as the engine of the state and regional economy.

Statistical Data

Statistical data relating to population, employment and income are derived primarily from four separate sources: the U.S. Bureau of the Census, the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis (the "BEA"), and the City of Boston/Boston Redevelopment Authority (the "BRA"), each of which is described below.

The U.S. Bureau of the Census publishes information about population, housing and the economy. Data from the 2000 Decennial Census of Population and Housing is now available in part, with more data to be released in 2002 and 2003. In addition, some monthly and quarterly data are available through July 2001 on certain topics for the region, Massachusetts, and the Boston metropolitan area. The U.S. Bureau of the Census does not publish such interim data for the City.

The U.S. Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. Final data for 2000 are the most recent annual data available; the most recent monthly data are for December 2001.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, New England and Massachusetts are from the September 2001 Regional Economic Information System ("REIS") and from the May 2001 REIS revised series for the metropolitan counties and Suffolk County, which consists of the City plus the municipalities of Revere, Chelsea and Winthrop. The most recent quarterly statistics are for the second quarter of 2001. The City comprises approximately 87% of Suffolk County's population and approximately 96% of its employment.

The City and the BRA prepare reports and compile data on the population and economy of the City and its neighborhoods. BRA also provides data and trends from various local, regional, state and national sources on such topics as employment and occupation, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

Statistical data do not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate and publish such data. While the City believes that it has used the most recent data readily available to it in the discussion in this section, because of such necessary delays, the data contained herein may not reflect current conditions or trends. Additionally, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of more complete data. Within such limits, the statistical data contained herein describe past activity and are not presented with a view to predicting future economic activity either in particular categories or in general.

New England, Massachusetts and Metropolitan Boston Economies

New England comprises a six-state region that had a combined population of 13.9 million persons and 8.8 million jobs in 2000 according to the U.S. Census Bureau and the Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 6.2% from 1990 through 1999, just below the 6.8% national rate for the same period. In the most recent period for which data is available, from second quarter 2000 through second quarter 2001, personal income in New England grew at a rate of 6.7%, which was just below the national rate of 6.9%. Employment in New England, grew by 718,971 from 1990 through 2000, an annual average of 0.9%.

The Massachusetts economy, with 6.4 million people and 4.1 million jobs in 2000 showed substantial growth in the 1990s. Total personal income grew at a 6.5% annual average rate from 1990 through 2000 versus a 6.8% national rate. From second quarter 2000 through second quarter 2001, it grew by 7.1%, higher than the 6.9% national average. Massachusetts also gained 340,508 jobs between 1990 and 2000, an annual average of 1.4%

The five-county Boston metropolitan area (consisting of Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties), had 4.0 million people and 2.8 million jobs in 2000, and has shown economic trends similar to those for the Commonwealth. The most recent data show a gain of 240,685 jobs for the 1990-2000 period, a gain of 0.9%. The following table shows the 1990 and 1996-2000 trends for the US, New England, Massachusetts, and Metropolitan Boston; employment data for the City are set forth under “Employment Structure, Employment Trends and Occupational Changes” and its accompanying table.

**Population, Income and Employment
1988, and 1996-1999
(Income in current year dollars)**

	<u>1990</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
United States						
Total Personal Income (\$000)	\$4,255,000,000	\$6,538,103,000	\$6,928,545,000	\$7,481,754,000	\$7,769,648,000	\$8,312,312,000
Per Capita Income (\$)	\$17,403	\$24,286	\$25,427	\$26,909	\$27,859	\$29,451
Population	244,499,00	269,214,762	272,492,958	275,694,585	278,890,252	281,421,906
Employment	134,517,900	152,607,200	156,230,200	160,257,200	163,828,100	167,511,300
New England						
Total Personal Income (\$000)	\$273,666,522	\$384,143,713	\$408,230,992	\$437,277,524	\$460,370,700	\$499,402,882
Per Capita Income (\$)	\$20,915	\$28,359	\$29,946	\$31,870	\$33,296	\$35,824
Population	13,084,523	13,545,844	13,632,385	13,720,665	13,826,472	13,922,517
Employment	8,082,456	8,084,631	8,251,811	8,424,622	8,598,889	8,801,377
Massachusetts						
Total Personal Income (\$000)	\$127,579,566	\$180,237,041	\$191,595,928	\$205,180,773	\$217,654,453	\$239,738,503
Per Capita Income (\$)	\$21,334	\$29,188	\$30,799	\$32,748	\$34,482	\$37,310
Population	5,979,983	6,175,085	6,220,762	6,265,452	6,312,193	6,349,097
Employment	3,770,718	3,752,171	3,845,046	3,929,491	4,009,044	4,111,226
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$87,261,912	\$124,773,282	\$132,654,806	\$142,766,163	\$152,915,120	NA
Per Capita Income (\$)	\$23,045	\$32,549	\$34,412	\$36,859	\$39,316	NA
Population	3,786,629	3,833,386	3,854,933	3,873,298	3,889,314	4,001,752
Employment	2,595,842	2,565,956	2,633,235	2,708,770	2,763,300	2,836,527

(1) This metropolitan area only includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) but excludes the one county in New Hampshire (Hillsborough) which together comprises the NECMA (New England Counties Metropolitan Area).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, for U.S., New England, and Massachusetts. Metropolitan Boston data for 1990 and 1996-1999 from BEA May 2001 revised series. 2000 employment data for Metropolitan Boston is derived from the percentage change between 1999 and 2000 of the Bureau of Labor Statistics (BLS) “790 series” data for Non-Agricultural employment, applied to the 1999 BEA data.

2000 population figures for all of the above are from the U.S. Census Bureau.

Employment Structure, Employment Trends and Occupational Changes

Between 1990 and 2000, the City’s employment structure continued to shift from traditional labor intensive manufacturing jobs to technology and service jobs, as shown in the table below, “City of Boston Employment, 1990-2000 Selected Years by Industry.” Over the past 10 years, the City’s service industries, including transportation, communication, public utilities, finance, insurance and the full range of services, expanded their share of the City’s total employment from 63.3% in 1990 to 67.3% in 2000, while the total employment in manufacturing and trade declined from 5.2% to 4.0%, and from 13.1% to 12.1%, respectively.

The economy of the Boston metropolitan area primarily rests on high technology, finance, professional and business services, defense, and educational and medical institutions. The City’s economy is more specialized in the financial, governmental, business and professional services and educational and medical sectors than the suburban economy, which is more specialized in high technology and the defense industry. As used in this section, “professional services” includes business and professional services such as data processing, bookkeeping, news syndicates, law, accounting, engineering, advertising, and architecture. “Non-professional business services” includes building maintenance, security guards, duplicating services, etc.

The following table shows Boston’s employment growth by industry category over the ten-year period 1990-2000. Significant gains by industry are noted in the construction, financial securities, health,

social, personal and repair, non-profit, cultural, non-professional business and professional services sectors while sizable losses are evident in manufacturing, wholesale trade, banking, insurance, and government.

City of Boston Employment, 1990, and 1996-2000 Selected Years by Industry

<u>Industry</u>	<u>1990</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Fishing/Mining/Agriculture	1,316	1,188	1,264	1,299	1,545	1,732
Construction	13,835	12,928	13,678	15,811	18,982	20,091
Manufacturing	32,274	29,039	28,425	29,502	28,308	27,993
Transportation/Communication/Utilities	36,795	36,059	36,767	36,800	36,938	38,402
Wholesale Trade	19,369	16,304	16,178	16,585	17,152	17,855
Retail Trade	61,593	62,262	62,774	64,856	66,056	66,237
Finance/Insurance/Real Estate	93,264	97,168	101,257	104,352	108,157	107,963
Banking	24,540	20,386	21,491	22,586	22,932	25,954
Securities	23,029	38,743	42,171	44,994	47,150	44,615
Insurance	31,357	24,058	23,423	22,175	22,903	21,496
Real Estate and Other	14,338	13,980	14,172	14,595	15,172	15,900
Services	261,854	280,618	288,866	296,767	312,534	320,191
Hotel	13,441	11,250	11,260	11,937	12,632	13,196
Health	78,615	90,722	92,075	93,544	95,883	96,453
Educational	31,431	31,923	31,372	31,950	32,144	32,934
Cultural	9,657	9,564	10,096	10,417	10,127	10,577
Social and Non-profit	23,843	23,243	24,067	24,517	25,425	26,465
Professional	63,621	64,440	67,899	75,851	80,714	82,245
Non-Professional Business	29,540	38,184	40,250	36,283	42,291	44,111
Personal and Repair	11,706	11,292	11,846	12,271	13,318	14,212
Government	<u>98,924</u>	<u>88,984</u>	<u>89,310</u>	<u>90,857</u>	<u>93,527</u>	<u>93,181</u>
Total	619,223	624,551	638,520	656,829	683,200	693,647

Note: The only data for 2001 are for the first and second quarter of the year from the ES-202 series which when translated into the BEA format and annualized results in a yearly estimate of 703,146 jobs, a 9,499 job gain from 2000 and a rate of 1.4%. Since this is only based on two quarters of the year, this estimate is just noted here as preliminary and subject to confirmation when more data from the remainder of the year is reported.

Source: 1990-2000 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County ("BEA Regional Economic Information System 1969-1999, May 2001") pro-rated to Boston geography. 2000 data are based on Massachusetts Division of Employment and Training ES-202 series (this series represents payroll jobs covered by the unemployment security system). These Boston employment data are used to derive an equivalent 2000 BEA series (for all jobs, full and part-time). Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result.

The Boston metropolitan area comprises about two-thirds of the Massachusetts state economy, which is interrelated with the economies of the other New England states. Consequently, the City's job changes over the last three cycles of growth (1982-1988), recession (1988-1992), and growth (1992-2000) must be viewed in a regional context. The following table charts employment changes over the three regional business cycles. It clearly shows how severe the effect of the 1988-1992 recession had been on the regional economy, but also shows how strong the economic recovery was from 1992 through 2000. In the City of Boston, the growth of 78,995 jobs from 1982 through 1988, the period of rapid growth, was offset by the loss of 70,283 jobs from 1988 through 1992, the recessionary period. Trends during the present expansion, for 1992 through 2000, show a gain of 115,027 jobs. The City of Boston, metropolitan Boston, Massachusetts, and New England have all experienced net job growth over the eighteen-year period.

Job Change in the New England Region, 1982-2000

Area	1982-1988		1988-1992		1992-2000		1982-2000	
	Total Job Change	Percentage Change	Total Job Change	Percentage Change	Total Job Change	Percentage Change	Total Job Change	Percentage Change
New England	1,388,668	20.7	(454,323)	(5.6)	1,173,244	15.4	2,107,589	31.5
Massachusetts.....	613,667	19.4	(258,552)	(6.9)	599,060	17.1	954,175	30.2
Metropolitan Boston ⁽¹⁾	421,036	19.4	(195,075)	(7.5)	437,495	18.2	663,456	30.5
City of Boston	78,995	13.9	(70,483)	(12.1)	115,027	19.9	123,539	21.7

(1) This metropolitan area includes the following five Massachusetts counties: Essex, Middlesex, Norfolk, Plymouth and Suffolk.

Source: U.S. Bureau of Economic Analysis (BEA) for New England and Massachusetts's 1982-2000.

U.S. BEA for Metropolitan Boston 1982-1999. 2000 data for Metropolitan Boston is derived from the percentage change between 1999 and 2000 of the Bureau of Labor Statistics (BLS) "790 series" data for Non-Agricultural employment, applied to the 1999 BEA data.

U.S. BEA for City of Boston, derived from the Suffolk County series for 1982-1999, and estimated for 2000 using Department of Employment and Training (DET) data as described under "City of Boston Employment 1990, and 1996-2000 Selected Years by Industry".

As of 2000, 66% of City residents were white-collar workers and 34% were blue-collar and service workers, as compared to 1960 when 44% were white-collar workers and 46% were blue-collar and service workers. As shown in the following table, this trend among City residents away from blue-collar and service occupations and toward white-collar occupations was evident between 1960 and 1990. During the decade of the 1990s this trend showed some change. White-collar occupations still grew but at a slower pace with managerial, professional, and technical jobs gaining but sales and office workers declining. At the same time, blue-collar and services occupations showed some small increases due to the growth in service, production, and transportation workers outpacing the continued decline in crafts and construction workers.

Occupational Change in the City's Resident Labor Force

	1960		1970		1980		1990		2000	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	126,471	44	146,657	55	154,456	60	191,251	67	201,635	66
Manag'l., Profess'l & Relat'd	49,080	17	59,929	23	77,217	30	107,206	38	132,016	44
Sales and Office	77,391	27	86,728	33	77,239	30	84,045	29	69,619	23
Blue-Collar and Service	134,610	46	119,848	45	101,561	40	97,453	33	102,117	34
Constr'n, Extract'n, Maint.	32,398	11	27,157	10	19,772	8	18,453	6	13,729	5
Product'n, Transp'n., and Rel.	52,175	18	36,695	14	24,825	10	19,971	7	25,121	8
Service, Laborers, and Farm	50,037	17	55,996	21	56,964	22	59,029	20	63,267	21
Not Reported.....	27,115	9	—	—	—	—	—	—	—	—
Total.....	288,196	100	266,505	100	256,017	100	288,704	100	303,752	100

Source: U.S. Department of Commerce, Bureau of the Census for 1960, 1970, 1980 and 1990. Census Bureau 2000 Special Survey (C2SS) for 2000 pending actual 2000 Census data.

Percentages may not add due to rounding.

Unemployment

The annual average unemployment rate for the City in 2000 was 2.9%, the lowest rate since reliable records have been kept. The City's unemployment rate in 2000 was slightly above that of Massachusetts at 2.6%, and far below the national rate of 4.0%. The average annual number of people unemployed in the City for 2000, was 8,495, a decrease from 1999 when it was 9,802. The 1990 Census data for Boston, which differ from the Bureau of Labor Statistics rates shown below due to sample size, showed that when Boston's total unemployment rate was 8.3%, the rate for whites was 6.4%, the rate for all minority groups combined was 12.6%, and the rate for all youth aged 16-19 years was 18.9%. This pattern is typical of many of the nation's urban centers.

Annual Unemployment Rates

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
City of Boston ⁽¹⁾	8.6%	8.0%	6.6%	5.8%	5.3%	4.4%	4.2%	3.4%	3.3%	2.9%
Boston PMSA 7.8	7.8	7.6	6.0	5.2	4.7	3.7	3.4	2.8	2.7	2.2
Massachusetts 9.1	9.1	8.6	6.9	6.0	5.4	4.3	4.0	3.3	3.2	2.6
New England 8.0	8.0	8.1	6.8	5.9	5.4	4.8	4.4	3.5	3.3	2.8
United States..... 6.8	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0

(1) Primary Metropolitan Statistical Area, consisting of the City and 129 contiguous municipalities, with a population of approximately 3.4 million in 2000 according to U.S. Census data.

Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Division of Employment and Training for the City and Boston PMSA

Note: The 2001 annual unemployment rate for the United States was 4.8%. The annual unemployment rate for the remaining areas were not available yet.

Monthly Unemployment Rates for Boston, Boston PMSA, Massachusetts, New England and the United States for 1998, 1999 and 2000⁽¹⁾

	<u>City of Boston</u>			<u>Boston PMSA⁽²⁾</u>			<u>Massachusetts</u>			<u>New England</u>			<u>United States</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Jan.	3.5%	3.5%	3.0%	3.1%	3.0%	2.5%	3.9%	3.7%	3.2%	4.0%	3.8%	3.1%	4.8%	4.5%	4.7
Feb.	3.1	3.0	2.9	2.8	2.7	2.4	3.5	3.3	3.1	3.9	3.7	3.1	4.7	4.4	4.6
Mar.	3.2	2.9	3.4	2.8	2.4	2.8	3.6	3.0	3.5	3.7	3.2	3.1	4.4	4.3	4.6
Apr.	2.9	2.6	3.1	2.4	2.1	2.5	2.9	2.4	2.9	3.1	2.7	2.9	4.1	3.7	4.2
May.....	3.1	2.7	3.7	2.5	2.0	2.9	3.0	2.4	3.3	3.2	2.7	3.1	4.0	3.9	4.1
Jun.	3.6	3.3	4.0	2.9	2.4	3.1	3.3	2.8	3.5	3.4	2.9	3.3	4.5	4.2	4.7
Jul.	3.7	3.3	4.6	2.9	2.4	3.6	3.3	2.8	4.0	3.2	2.7	3.7	4.5	4.2	4.7
Aug.	3.5	2.9	4.3	2.7	2.1	3.3	3.0	2.4	3.7	3.0	2.4	3.6	4.2	4.1	4.9
Sep.	3.7	3.0	4.7	2.9	2.2	3.6	3.2	2.6	3.9	3.0	2.4	3.6	4.1	3.8	4.9
Oct.	3.3	2.7	4.6	2.6	1.9	3.6	2.9	2.2	3.8	3.0	2.2	3.6	3.8	3.6	5.4
Nov.	3.2	2.6	4.5	2.5	1.9	3.7	2.9	2.2	4.0	3.0	2.2	3.7	3.8	3.8	5.6
Dec.....	2.9	2.3	4.2	2.4	1.7	3.5	2.8	3.0	3.8	2.9	2.1	3.6	3.7	3.7	5.8

(1) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

(2) Primary Metropolitan Statistical Area, consisting of the City and 129 contiguous municipalities, with a population of approximately 3.4 million in 2000 according to U.S. Census data.

Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Division of Employment and Training for the City and Boston PMSA.

As the above table illustrates, 2001 monthly unemployment data showed a general increase over the same months in 2000 for Boston from March through December. In December 2001, Boston's unemployment rate registered 4.2% compared with the 2.3% mark one year earlier in December 2000. The number of unemployed in December 2001 was 12,902, having risen from the 6,772 unemployed as of December 2000. Unemployment clearly has risen during the recession of 2001 although the mark in December of 4.2% was better than the national rate and not as severe, as yet, compared to the recession in Massachusetts of 1988-1992.

Largest Employers

The following table lists the thirty-six largest private employers in Boston, the total list of organizations with more than 1,000 employees, which had an aggregate of approximately 21% of private sector employment in 2001.

Largest Private Employers In Boston, 2001 (listed alphabetically)

Beth Israel Deaconess Medical Center	Liberty Mutual
Boston College	Massachusetts Eye and Ear Infirmary
Boston Medical Center	Massachusetts Financial Services
Boston University	Massachusetts General Hospital
Brigham and Women's Hospital	New England Baptist Hospital
Brown Brothers Harriman	New England Financial
Carney Hospital	New England Medical Center
Children's Hospital	Northeastern University
Dana Farber Cancer Institute	Northwest Airlines
Delta Airlines	Nstar (formerly Boston Edison)
Faulkner Hospital	Putnam Investments
Federal Reserve Bank of Boston	St. Elizabeth's Medical Center
Fidelity Investments	Shaw's
Filene's	State Street Corporation
Fleet Boston Financial	Stop & Shop Supermarkets
Gillette Company	Thompson Financial Services
Harvard University (Business and Medical)	US Air
John Hancock	WGBH

Note: The following large Boston companies were surveyed but did not respond and likely have over 1,000 employees: Boston Consulting Group, the Boston Globe, Citizen's Bank, Commercial Union Insurance, Liberty Financial Companies, Inc, Macy's, Pricewaterhouse Coopers LLP, Teradyne, UNNICO Services, and Verizon (formerly Bell Atlantic).

Source: Survey by BRA/EDIC, conducted in 2001.

In addition, the public sector has large numbers of employees in the City. According to the BRA, using a series consistent with the Bureau of Economic Analysis, there were 93,181 government workers in the City in 2000, a reduction of 5,743 from 1990. Certain state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions, such as Massport and the MBTA, and the City's local government are all located within the City.

Labor Force and Education

According to U.S. Department of Commerce, Bureau of the Census, the City's resident labor force declined during the 1970s but increased during the 1980s. In contrast to the 12% decline in population between 1970 and 1980, the City's labor force (those residents aged 16 and over, available to work) declined by only 4%. The difference in these rates of decline was attributable to the fact that the decline in population was concentrated in the under-16 age group. Since 1980, both the increasing population and its increasing age have combined with the rising labor force participation of women, minorities, youth and the elderly to produce a larger labor force. By 1990, the City's population had increased by 2% over 1980 levels, while the City's labor force increased by 12.8% in the same period, according to data from the U.S. Bureau of the Census. During the 1990's Boston's population continued to rise, posting a 2.6% increase between 1990 and 2000. During the same time period the City's labor force decreased by 4%, according to the Massachusetts Department of Employment and Training.

General improvement in educational attainment of resident's aged 25 and over continued throughout the 1970-2000 period. The percentage of this population that had completed four or more years of college almost quadrupled during this period from 10% to 39%. This change, in part, reflected the trend for an increasing percentage of graduates of the City school system to seek higher education. This percentage increased from 25% in 1960 to 36% in 1970, 44% in 1977, 54% in 1982, 66% in 1990, 61% in 1997, 77%

in 1999, 69% in 2000, and 76% in 2001, based upon Boston School Department figures. Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated base.

The City supports entry-level and advanced job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a supplemental source of funding for job training programs. For a full discussion of the City's housing and jobs linkage program see "The Linkage Program".

Years of School Completed for Boston Residents Age 25 and Over, 1970-2000

	1970		1980		1990		2000	
	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>
Less than nine years.....	91,582	26.1%	54,932	16.6%	37,824	10.3%	31,828	8.8%
9 to 12 years, no diploma	71,511	20.4	49,407	14.9	51,051	14.0	35,210	9.7
High school grad. (or GED) .	120,350	34.3	115,787	35.0	97,233	26.6	86,414	23.8
Some college or Associates..	30,876	8.8	43,451	13.2	69,889	19.1	69,914	19.2
Bachelors, Masters, or Prof. .	<u>36,245</u>	<u>10.4</u>	<u>67,073</u>	<u>20.3</u>	<u>109,711</u>	<u>30.0</u>	<u>139,925</u>	<u>38.5</u>
Total.....	350,564	100.0	330,650	100.0	365,708	100.0	363,291	100.0

Source: U.S. Department of Commerce, Bureau of the Census; 1970, 1980 and 1990. Census 2000 Special Survey for 2000 data.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$40,748 in 1999, 43% above the national per capita personal income of \$28,546, according to the U.S. Bureau of Economic Analysis. An historical summary of per capita income shows that from 1980 to 1990 Suffolk County's per capita income grew at a rate greater than that for the nation, in contrast to the 1970-1980 period when it rose at a slower rate. Suffolk County's per capita income grew at a faster rate than the per capita income growth rates for the United States, New England, and Massachusetts and just barely below the rate of growth for Metropolitan Boston (as defined in the table below) between 1990 and 1997. The City's median household income (in current year dollars), based on U.S. Census data, rose from \$7,835 in 1970, to \$12,530 in 1980 and \$29,180 in 1990. Median household income in 1998 for Suffolk County (of which Boston accounts for 87% of the population) was estimated at \$37,931 in current dollars. The figures in this paragraph and the chart directly below reflect earned income of persons residing in the named areas plus rents, interest and other unearned income and transfer payments from governmental entities. As such, these figures take into account certain income sources not included in the survey of average annual wages in the following paragraph, which reflects earned income of persons who work (but do not necessarily reside) in the named areas.

Per Capita Personal Income Comparison, 1970, 1980, and 1990-2000
(in current year dollars not adjusted for inflation)

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston⁽¹⁾</u>	<u>Suffolk County⁽²⁾</u>
1970.....	\$ 4,095	\$ 4,453	\$ 4,486	\$ 4,515	\$ 4,652
1980.....	10,183	10,701	10,673	10,806	10,477
1990.....	19,584	22,900	23,223	23,559	24,873
1991.....	20,089	23,257	23,749	24,078	25,909
1992.....	21,082	24,452	24,876	25,271	27,628
1993.....	21,718	25,208	25,664	26,028	28,607
1994.....	22,581	26,229	26,841	27,251	30,239
1995.....	23,562	27,426	28,051	28,520	31,311
1996.....	24,651	28,820	29,618	30,096	33,301
1997.....	25,874	30,676	31,330	31,869	35,072
1998.....	27,321	32,373	33,407	34,044	38,202
1999.....	28,546	34,173	35,527	36,285	40,748
2000.....	29,451	35,824	37,710	NA	NA

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is larger than the Primary Metropolitan Statistical Area (PMSA). The NECMA consists of five Massachusetts counties and Hillsborough County in New Hampshire. Known as Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH (NECMA).

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, May 2001 revised series, Regional Economic Information System

May 2001 data from the U.S. Bureau of Economic Analysis indicate that average annual wage per job for 1999, by place of work, have been consistently higher over time in Suffolk County than in the Boston metropolitan area and the Commonwealth. Suffolk County's average wage per job (\$49,671) was 24% greater than that in the Boston metropolitan area (\$40,196) and 26% greater than the average state earnings level (\$39,352). The average annual wage per job reflect the combined income earned by individuals at their place of work for all industries combined.

Average Wage Per Job Comparison, 1969, 1979, 1989, and 1999
(in current year dollars not adjusted for inflation)

	<u>United States</u>	<u>Massachusetts</u>	<u>Metro Boston⁽¹⁾</u>	<u>Suffolk County⁽²⁾</u>
1969.....	\$ 6,506	\$ 6,563	\$ 6,571	\$ 7,145
1979.....	12,368	12,368	12,444	14,090
1989.....	22,259	24,921	25,265	29,176
1999.....	32,711	39,352	40,196	49,671

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is larger than the Primary Metropolitan Statistical Area (PMSA). The NECMA consists of five Massachusetts counties and Hillsborough County in New Hampshire. Known as Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH (NECMA).

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, May 2001 revised series, Regional Economic Information System

During the years 1991-2000, based on the U.S. Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 2.66% in the Boston metropolitan area, while the national index increased at a 2.64% annual rate. From November 2000 to November 2001, the cost of living in the Boston metropolitan (Boston PMSA) area rose 2.8%, compared to a 1.9% rate for the nation.

Consumer Price Index for All Urban Consumers (CPI-U)

	United States	Percent	Metro Boston	Percent
	<u>Index</u>	<u>Change</u>	<u>Index</u>	<u>Change</u>
1991.....	136.2	NA	145.0	NA
1992.....	140.3	3.0	148.6	2.5
1993.....	144.5	3.0	152.9	2.9
1994.....	148.2	2.6	154.9	1.3
1995.....	152.4	2.8	158.6	2.4
1996.....	156.9	3.0	163.3	3.0
1997.....	160.5	2.3	167.9	2.8
1998.....	163.0	1.6	171.7	2.3
1999.....	166.6	2.2	176.0	2.5
2000.....	172.2	3.4	183.6	4.3
2000 (Nov.)	174.1	—	187.4	—
2001 (Nov.)	177.4	1.9	192.7	2.8

Note: Index based upon 1982-1984=100.0.

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Population

The U.S. Bureau of the Census reported the City's population as 589,141 in 2000, a 2.6% increase over 1990 and building on the 2.0% increase in the 1980s. The number of households in the City increased from 217,622 in 1970, to 218,457 in 1980, to 228,464 in 1990, and to 239,528 in 2000, while household size fell from 2.8 to 2.3 persons per household from 1970 to 2000. The U.S. Bureau of the Census population for Massachusetts in 2000 was 6,349,097, or an increase of 332,672 persons (5.5%) from the 1990 census. The population of metropolitan Boston rose to 3,398,051 in 2000, a rise of 170,344 persons or 5.3% over the decade

Population of Massachusetts, Metropolitan Boston, and the City of Boston 1970, 1980, 1990 and 2000

	1970	1980	1990	2000	1970-80		1980-90		1990-00	
					Population	Percent	Population	Percent	Population	Percent
					<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
Massachusetts	5,689,170	5,737,037	6,016,425	6,349,097	47,867	0.8%	279,388	4.9%	332,672	5.5%
Metropolitan Boston ⁽¹⁾	2,899,101	3,149,000	3,227,707	3,398,051	— ⁽²⁾	— ⁽²⁾	78,707	2.5	170,344	5.3
City of Boston	641,071	562,994	574,283	589,141	(78,077)	(12.2)	11,289	2.0	14,858	2.6

(1) Boston PMSA.

(2) Because of a metropolitan area boundary change from Standard Metropolitan Statistical Area ("SMSA") to PMSA, the 1970-1980 change is not shown

Source: U.S. Department of Commerce, Bureau of the Census.

Data from the 2000 Census (Summary File 1) were reported to Boston in 2001 and some information regarding the demographic and housing characteristics of Boston's resident population are available. Changes in racial patterns showed that Boston's racial composition was: White, Non-Hispanic 49.5%; Black, Non-Hispanic 23.8%; Hispanic 14.4%; Asian/Pacific Islander 7.5%; Multi-racial 3.1%; other single race 1.4%; and Native American 0.3%. Within the Asian/Pacific Islander classification, the largest growing groups were the Vietnamese, Chinese, Asian Indian, and Korean groups. Within the Hispanic classification the fastest growing groups were the Central and South Americans with a small but fast-growing Mexican community. Boston continues to be a city of young adults due to the large number of students and young adults living and working in the city. One out of every three persons in Boston is between 20 and 34 years old. The baby boom population (aged 35 to 54 years) grew fast as that cohort aged and still showed a preference for city living, growing by 20%. The city saw a decline in the elderly population, aged 65 and over, between 1990 and 2000 as that segment declined by nearly 5,000 people to 10% of the population. Boston showed a general rise in children as that population (aged under 18) increased by over 6,700 persons to 20% of the population. The trend toward fewer families- related people living together- and more non-families- single persons and roommates – continued in Boston in the 1990s. There was a trend toward more "non-traditional" families as the data showed more relatives and non-relatives other than the householder and spouse living in families. Overall, the total number of households rose. Single person households continued to grow. Families with children under 18 also grew although

married couples with young children fell because of the continued trend toward single-parent families with children. Children over 18 living with their families showed an upward trend as college students commuted at a greater pace and as the cost of housing kept older children at home longer. Group quarters population continued to increase both for the institutionalized and non-institutionalized populations, the vast majority of which is the student dormitory population. Household size has only fallen by 2.5%, going from 2.37 persons to 2.31 despite the large growth in single person households. Average family size only edged marginally lower from 3.19 to 3.17 persons.

Medical and Higher Educational Institutions

Boston's medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and the Boston metropolitan area. Expenditures by the institutions' patients, students and visitors are important to the City's trade and service sectors.

Twenty-two inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel/Deaconess Hospital, Children's Hospital, the New England Medical Center and Boston Medical Center. These hospitals had a combined total of 5,888 beds in 2000 with total expenses of over \$5 billion. In 2000 the hospitals saw 217,000 in-patients, had over 3.8 million out-patient visits, and witnessed over 22,000 births according to data from the American Hospital Association. The City is also the home of the medical and dental schools of Harvard, Tufts and Boston Universities, and of twenty-five public neighborhood health clinics, not including health maintenance organizations and membership clinics.

In 2000, there were an estimated 96,453 persons employed in health services in the City, based on a series consistent with U.S. Bureau of Economic Analysis data. Health services represent over 1 out of every 7 jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from the U.S. Bureau of the Census, County Business Patterns, showed that the number of hospital employees in Suffolk County between 1988 and 1999 grew from 44,690 to 52,120.

According to the BRA, the City's hospital and medical school community invested close to \$1.1 billion in new facilities from 1984 to 1999. Large new projects were completed over the 1984-1996 period at the following City hospitals: Massachusetts General Hospital, Beth Israel/Deaconess Hospital, Brigham and Women's Hospital, Boston Medical Center, St. Elizabeth's and New England Medical Center. In 1996-1997 several hospital projects were completed including a Dana Farber research building and a Beth Israel ambulatory care facility. In 1999 the Shriner's Burns Institute's new building and the Franciscan Hospital gymnasium were completed.

As of December 2000, there was one hospital project and a variety of medical research projects under construction or set to begin. Under construction is Tufts University's \$65 million biomedical research building and nutrition center of 175,000 square feet on Harrison Avenue scheduled to open in the Summer of 2002. In the Longwood area, Children's Hospital has two buildings scheduled: a 12-story, \$130 million medical research building of 300,000 square feet is under construction and a clinical building of 194,000 square feet is approved and will begin construction in 2002. Also in the Longwood area, the Harvard Institutes of Medicine is in the second phase of the redevelopment of the old English High into medical research space with a \$250 million, 435,000 square-foot building. In addition, Emmanuel College has two medical research buildings scheduled: a building of 320,000 square feet to be occupied by the Merck pharmaceutical company has begun construction and a speculative research building of 186,000 square feet is expected to start construction in 2003. Massachusetts General Hospital also has begun work on a \$320 million new 420,000 square foot ambulatory care facility with a 220,000 square foot outpatient clinic and a 725-car garage, as demolition work has commenced in 2001. Also, Brigham and Women's Hospital has begun site preparation for a new \$100 million, 10-story clinical research facility with the demolition and relocation of six, three-family houses and the sales of adjacent properties. Beth Israel Hospital is also in the early stages of planning for a research building.

Based on data from the National Institutes of Health for fiscal 2000, the City is the nation's largest center for health research, topping New York City for the fifth consecutive year. For fiscal 2000, the medical research institutions within Boston received \$1.078 billion in National Institutes of Health awards. This was a 14% increase from fiscal year 1999. According to the National Institute of Health Division of Research Grants, six of the seven independent hospitals in the nation which received the most National

Institutes of Health research funding in fiscal 2000 were located in the City. In addition to public monies for medical research the Boston institutions also have private funding sources through agreements with private sector firms.

Boston is one of the nation's largest centers of medical research activities and biotechnology industries. In Massachusetts, one of the leading biotechnology centers in the United States, there were over 215 companies engaged in research and development and manufacturing of biotechnology products as well as scientific, equipment, supplies and support services to the industry in 1998 according to the Massachusetts Biotechnology Council. The Ernst & Young annual biotechnology industry report, "Convergence, Millennium Edition, 2000," showed the New England Region as the nation's second largest center for biotechnology by number of publicly-traded companies (53), total assets (\$7.3 billion), and R&D spending (\$1.5 billion), as well as the nation's third largest center as ranked by product sales (\$2.3 billion), and total revenues (\$3.2 billion) and the nation's fourth largest center as ranked by employees (18,395).

As of academic year 1999-2000, the New England Board of Higher Education reported 74 colleges and universities in the Boston metropolitan area (PMSA), at which approximately 269,540 students were enrolled. The City's 36 universities, colleges and community colleges had a combined enrollment in fall 1999 of approximately 135,710, a 7.8% gain from fall of 1990. These numbers include some graduate schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively, which had 5,200 students in the City in 1999. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in fall of 1999, with 28,487 students.

Educational institutions are a source of new highly skilled professionals for the City's labor force. For example, according to the Massachusetts Institute of Technology, although only 10% of its enrollees over the decade of the 1980s were from the Boston area, 24% remained in the area after graduation.

From 1991 through 1998, large projects at educational institutions in the City accounted for approximately \$300 million of investment, according to the BRA. These included new construction at Boston University, Northeastern University, Tufts University, Boston College, the Massachusetts College of Pharmacy, and Harvard University, as well as major renovations by Emerson College and Suffolk University. Recently completed projects include: the Boston University School of Management and the Photonics Center; Emerson College dormitory and administration space in renovated buildings; Suffolk University dormitory space; and, at Northeastern University, the Marino Recreation Center and a new Engineering and Science building. Completed in 1999 was the new \$65 million Suffolk University Law School on Tremont Street in downtown Boston and a new dormitory at Northeastern University with 630 beds. Completed in 2000 were an 819-bed dormitory for Boston University and two smaller dormitories at Northeastern University with a total of 470 beds.

Institutional development of dormitory and academic facilities is currently taking place or planned in Boston. Since 1990, colleges and universities have added 10,511 dormitory beds- the equivalent of freeing up approximately 2,600 apartment units. Wentworth Institute opened its new 475-bed dormitory at 610 Huntington Avenue in 2001. Mass. College of Art held "topping off" ceremonies for a 9-story, 600-bed dormitory in 2001 and it is scheduled for completion in July of 2002. Boston College, in its recently submitted master plan, is proposing to add 800 more dormitory beds. Boston University is proposing to build dormitory space for 2,300 students along with a new sports arena and a new recreational center on the site of the former Commonwealth Armory. At the Business School campus of Harvard University, where a five-year expansion and retrofit program is underway, new executive student housing is now complete, a new student center is nearly complete, and a graduate school housing and academic building project were recently approved by the BRA and began construction in 2001. Northeastern University recently opened 15-unit Shawmut estates, Davenport Commons (\$51 million, 585-bed dormitory, 60 affordable condominiums, and 2,100 square feet of retail space) and 780 Columbus Avenue (114 beds). Also at Northeastern, ground was broken for a new \$37 million, 17,000 square foot health sciences complex. In other developments at educational institutions: Emerson College began construction of its new Tufts Performing Arts Center (\$25-30 million, 11-story, 80,000 square feet) adjacent to the Majestic Theater on Tremont Street and plans to build a 14-story dormitory and student center on Boylston Street at Piano Row; Simmon's College is planning a 40,000 square foot Graduate Center; Suffolk University announced plans to build more student housing; and UMass-Boston has a new Campus Center (\$75 million, 360,000 square

feet) under construction with plans announced for housing 2,000 students on campus in future dormitory space.

Tourism

According to the Greater Boston Convention and Visitors Bureau (“CVB”), an estimated 12.9 million people visited the Boston metropolitan area in 2000, up by 8.4% from the 11.9 million visitors in 1999 and up 15.5% from the 10.3 million visitors in 1995. These data represent visitors, measured as tourists, business travelers and convention and meeting delegates who traveled at least 100 miles to get to the City. The latest data on the economic impact of tourism from the CVB shows that, for the five county region of greater Boston, visitors spent an estimated \$8.1 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 1999. In Suffolk County alone the total domestic direct traveler impact in 1999 was \$5.2 billion supporting 53,880 jobs and a payroll of \$1.5 billion while generating \$130 million in state tax receipts and \$86 million of local tax receipts.

In recent years several large tourist events have taken place in Boston. In July 1992, Sail Boston, the tall ships flotilla, drew an estimated 6 million attendees, including visitors (as defined above) and local residents. During the summer of 1994, greater Boston was a regional host of the World Cup soccer championship. In April 1996, the 100th anniversary of the Boston Marathon attracted a record field of 38,708 runners and an estimated 750,000 spectators along the route, with 150,000 of them at the Copley Square finishing line. In August 1998, the 200th Anniversary of the refurbished frigate USS Constitution, “Old Ironsides,” was celebrated with a gala three-day event with other tall ships from around the world in attendance. Also in 1998, the “Monet in the 20th Century” exhibition at the Museum of Fine Arts, the only showing in the United States, topped all museum exhibits in the United States with almost 566,000 visitors. In 1999 Boston was the site of Major League Baseball’s All Star game. In 2000, the City held a large celebration, Millennium 2000, lasting several days, and Sail Boston 2000, which attracted over 4 million people to the waterfront for a parade of Tall Ships. During 2001, Boston’s 104th Marathon drew an estimated 1 million visitors, the Head of the Charles Regatta drew 550,000 attendees, and the US Figure Skating Championships, held at the Fleet Center in January 2001, attracted 108,000 visitors.

Every year there are a wide variety of special events in Boston including food, cultural, and musical events, ethnic celebrations, harbor, seaport and river festivals, parades, and collegiate and professional sporting contests which attract many visitors. In 1997 there were an estimated 75 such events in addition to the regular schedules of the three major professional sports teams—the Boston Red Sox baseball team, the Boston Bruins hockey team and the Boston Celtics basketball team. The City provides a venue for concerts, ice shows, circuses, plays, and other entertainment and sports events. The Fleet Center, a new privately financed, multi-purpose arena in Boston’s North Station District constructed by the New Boston Garden Corporation, a subsidiary of Delaware North, owner of the existing Boston Garden/North Station, opened on September 30, 1995.

Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently Boston has three small and medium convention sites: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center and the Bayside Exposition Center. Together, these facilities have a combined full capacity of over one million people per year. In addition, as more fully described below, the Massachusetts Convention Center Authority (“MCCA”) and the City are developing a new 1.6 million square-foot convention and exhibition center in Boston that will provide facilities suitable for large national conventions. In 2000 there were 300 events—meetings, conventions, and expositions—over the course of the year in greater Boston. Included were 21 citywide conventions; these are defined as events that would each use over 2,000 hotel rooms on the peak night, which usually requires at least three hotels. In 2001 Boston was projected to host 2.79 million convention and meeting visitors and 15 citywide conventions. There were also 64 college commencements in greater Boston scheduled for a six week period in May and June.

For a description of the Boston Convention and Exposition Center project see “City Indebtedness – Capital Planning and Borrowing Program – Boston Convention and Exhibition Center”. Also see “Large Public Sector Projects” below.

In addition, a plan by the Boston Red Sox to replace Fenway Park, their baseball stadium, with a new facility at the current site and expanded to include adjacent areas, is under review. See “City Indebtedness—Capital Planning and Borrowing Program—Fenway Park Project.”

Hotel Market

Boston’s favorable hotel market over the period of 1992-2000 stimulated considerable new development. The number of hotel rooms in the City rose from 6,907 in 1980 to 12,136 as of July 1, 1997, an increase of 76%. Between July 1, 1997 and December 1999 eight new hotels and four expansion projects were completed, adding a total of 1,537 rooms. The largest hotel completed in 1998 was the Seaport hotel, with 427 rooms, adjacent to the World Trade Center on the South Boston waterfront. In 1999 three new hotels and one expansion were completed: the Wyndham Boston Hotel, a 362-room renovation of the former Batterymarch building at 89 Broad Street; The Club by Doubletree near the Bayside Expo Center with 212 rooms; the rebuilding of the Airport Hilton in East Boston with 87 net new rooms; and the 38-room expansion of the Bostonian Hotel adjacent to the Faneuil Hall Marketplace. Three additional hotels were completed in 2000, a conversion of 15 Beacon Street into 61 boutique rooms; a conversion of the former Don Bosco High School into The Club by Doubletree with 268 rooms; and the small conversion (reuse) project, 13-room Beacon Hill Hotel. So far during 2001 two hotels have been completed and opened: the Best Western “Roundhouse” with 92 rooms in the South End/Roxbury and the Ritz on the Common, a new 191 luxury suites hotel at Millennium Place.

As of December 2001 three new hotels and one reuse, representing 644 new rooms, were under construction: Nine Zero a 190-room, 4-star boutique hotel at 90 Tremont Street; Commonwealth Hotel, a new 149-room hotel in Kenmore Square, Embassy Suites, a 272-room hotel in East Boston; and the Charlesmark Hotel a conversion (reuse) project with 33 rooms in the Back Bay. Over the 2000-2001 period, applications to construct fifteen new hotel projects, representing a total of 5,158 rooms, were filed with the BRA and many are currently in the approval process, including a 1,200 room convention center hotel to be constructed by Starwood Hotels and Resorts adjacent to the BCEC. With the economic slowdown and the War on Terrorism affecting the travel industry, several of these hotel projects in the approval process have either temporarily suspended action or have announced that their completion schedules would be pushed farther into the future.

Between 1991 and 2000, average annual occupancy rates grew steadily from 65.4% to 78.6% and average daily room rates rose steadily from \$108.29 to \$200.10. 2001 has brought a more challenging environment for the hospitality industry as a slowing economy combined with the events of September 11th to dampen hotel market performance in Boston. Through November of 2001 Boston’s hotel occupancy, according to Pinnacle Advisory Group, stood at 72.2% compared with 80.0% for the same eleven months in 2000. Similarly, through November, average daily room rate registered \$184.86 compared with \$200.01 for the same period in 2000.

Transportation

The City is a major national and international air terminus, a seaport and the center of New England’s rail, truck and bus service. The City is served by three limited-access interstate highways which connect it to the national highway system: U.S. 90 (the “Massachusetts Turnpike”), which leads westward from downtown Boston to the New York State border; U.S. 95, the East Coast’s principal north-south highway, which connects Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and U.S. 93, another north-south highway, that extends from just south of the City to New Hampshire and Maine. The City is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine (a subsidiary of Guilford Transportation Industries), and Bay Colony, a local carrier.

Transportation planning includes both major highway and mass transit programs. Federal transportation legislation has enabled the Massachusetts Bay Transportation Authority (“MBTA”), which provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, to provide transit alternatives to a population of 2.8 million people in an area of 1,038 square miles. The MBTA, the fourth largest mass transit system in the nation as determined by ridership, currently serves about 1.2 million persons per day.

The capital program of the MBTA (Capital Investment Program) totals approximately \$3.2 billion over the years FY02-FY07, averaging about \$525 million per year. Approximately \$1.8 billion of revenue bonds will be issued to fund MBTA capital expenditures, approximately \$1.2 billion of capital expenditures will be funded through federal grants, and approximately \$110 million of capital expenditures will be funded with pay-as-you-go capital funding, state reimbursement and other project financing.

The five-year Capital Investment Program consists of four major programmatic areas: 1) reinvestment in the infrastructure (\$1.97 billion); 2) accessibility improvements (\$172 million); 3) enhancement of existing service (\$219 million); and 4) system expansion efforts (\$793 million). Breaking out the Capital Investment Program spending by mode provided by the MBTA is as follows: a) subway (\$1.1 billion); b) commuter rail (\$598 million); c) Silver Line (\$361 million); d) bus (\$386 million; and e) systemwide (\$708 million).

Infrastructure improvements refer to vehicles, track/right-of-way, signals, communication, power, maintenance facilities, stations, facilities, bridges, and fare equipment. The major infrastructure spending will take place on revenue vehicles (\$770 million); station modernization primarily on the Red and Blue lines (\$252 million); rail signaling systems (\$213 million); maintenance facilities including rail car houses and bus garages (\$137 million); track/right-of-way (\$121 million); and fare equipment (\$120 million).

Several specific system enhancement projects follow. Current efforts are devoted towards the North Station Transportation Center, serving the Orange and Green lines, where a subway system enhancement of the Green/Orange transfer station is underway. To date, \$236 million has been spent on this project in Phases one and two while the next phases, three and four, are expected to require a remaining \$97 million until project completion in Fiscal Year 2006. Another system enhancement project is a \$10 million effort to make infrastructure improvements to support light-rail vehicle service along the Arborway corridor. The current plan devotes \$54 million toward parking efforts. The most significant effort is the construction of a new station with over 2,400 space in Woburn, while the majority of the other parking projects are also at commuter rail stations.

Also, several specific system commuter rail expansion projects are briefly noted. Since 1985, the MBTA has pursued large-scale system expansion projects including new commuter rail service to Worcester, Middleborough, Plymouth, and Newburyport. The current plan programs \$473 million toward the expansion of the commuter rail system, 60% of expansion expenditures. The majority of the funding is devoted to the rehabilitation of the Old Colony Greenbush Branch consisting of construction of 17.1 miles of track, 7 stations, a layover facility, a tunnel through historic Hingham Square, and the purchase of necessary rolling stock. \$43 million is devoted to design and construction to support extension of MBTA services to New Bedford and Fall River. Current efforts include rehabilitation of bridges in New Bedford and Fall River, and design and EIR efforts north and south of Cotley. Other efforts include the completion of projects including the Newburyport Extension, South Salem Station, the Worcester Commuter Rail extension, and the Old Colony rehabilitation on the Middleborough and Plymouth lines.

Finally, the major MBTA subway enhancement project is the Silver Line development. The MBTA is constructing a new line to operate as part of its core downtown transit system. This Silver Line will combine bus rapid transit services along Washington Street (in Downtown, Chinatown, the South End, and Roxbury) and the South Boston Piers Transitway (on the South Boston waterfront) into a single line. There are four efforts currently related to the Silver Line. One is related to Washington Street (a joint project with the Massachusetts Highway Department (MHD) for the design and reconstruction of Washington Street from Dudley Square to Downtown including ten new stations to open in 2002), two projects are related to the South Boston Piers Transitway (a one-mile long tunnel extending from South Station to the pier area with three stations – South Station, Courthouse Station, and World Trade Center Station - to open in 2003), and the remaining project involves conceptual planning and design to eventually connect the two. The new Silver Line will provide connections between residential neighborhoods and job centers in the Financial District and the new South Boston waterfront. Service will also be coordinated with Massport to provide service through the existing Ted Williams Tunnel. Vehicle procurement for Washington Street and the South Boston Piers Transitway portions of the Silver Line are underway. The current five-year spending program for this Silver Line project is \$307.1 million, 40% of the systems expansion effort. The majority of this effort is devoted to the South Boston Piers Transitway.

Since 1991, Amtrak has spent \$1.6 billion towards a multi-year high-speed rail infrastructure project, to upgrade the rail corridor between Boston and New York permitting better ride quality, faster speeds, and greater capacity for rail users. A key component of infrastructure upgrades was electrification of the remaining segment of the Northeast Corridor rail line between New Haven and Boston, which was completed in 2000. Massachusetts Electric Construction Co. and J.F. White, two Boston firms, are major members of the team implementing the electrification work. Amtrak nearly taken full delivery on a contract to acquire 20 high speed trains and 15 high-horsepower electric locomotives which reduce rail travel time from downtown Boston to downtown New York City to three and one-half hours, which is competitive with air travel. When combined with all other infrastructure improvements, the new high-speed trains will reduce this travel time to three hours. The equipment contract also included construction of three new maintenance facilities servicing the trains and locomotives; one of these facilities, completed in 1999, is located in Boston at Southampton Yard. Bombardier ALSTOM won the contract to build Amtrak's new high-speed equipment, using manufacturing sites in Barre, VT, and Plattsburgh, NY. Amtrak has begun to generate significant revenue from high-speed rail service and, based on ridership and revenue projections, was able to secure private financing for 100% of the cost of the new high-speed trains. Congressional appropriations under the Northeast Corridor Improvement Program pay for infrastructure work and electrification. The fully electrified system was up and running in 2000. In early 2000, Amtrak introduced fully electrified *Acela Regional* service between Boston and New York. The trip on *Acela Regional* between Boston and New York is four hours and fifteen minutes. *Acela Express* offers travelers a three-hour 30-minute trip between the two cities; this service began in December 2000.

The new Boston – Portland (ME) passenger rail service (the “Downeaster”) began December 15, 2001. The 250 passenger train runs four times a day in each direction between North Station and Portland. The trip takes 2 hours and 45 minutes and makes intermediate stops in Haverhill (MA), Exeter, Durham, and Dover (NH), and Saco, Wells, and Old Orchard Beach (ME). Roundtrip fare from Boston to Portland, ME is \$35.

Water transportation has also become a significant factor in transportation with the Boston Harbor. Currently seven operators provide water transit services to approximately 1.5 million riders annually with ambitious plans for future expansion.

See “Large Public Sector Projects” for a description of the depression of the Central Artery and the construction of a third tunnel under Boston Harbor, two other significant transportation projects in the City.

Seaport and Airport

The Massachusetts Port Authority (“Massport”) was created by the state legislature to develop and manage the City's major air and sea transportation centers and the Tobin Memorial Bridge over the Mystic River. Massport is financially independent, and the City is not responsible for any debt or other obligations incurred by Massport. Heavy use of Boston Logan International Airport (“Logan Airport”) and the Port of Boston has compelled significant expansion of both facilities. Massport's net investment in its facilities through June 30, 2000 exceeded \$1.88 billion, consisting of \$1.35 billion invested in airports and \$550 million invested in the Tobin Bridge, maritime development and other capital spending.

The Port of Boston serves the six-state New England region and beyond as a natural deep-water berth, and provides access to world ports as well as feeder service several times weekly to Halifax, Canada and the Port of New York. The City's port activity includes handling bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services.

The City's port tonnage fell from the 1950s through the mid 1980s as a result of changes in transportation technology and in the regional economy. In 1990, according to the U.S. Army Corps of Engineers, the Port of Boston ranked as the 21st largest American seaport by total tonnage shipped and as the 18th largest American seaport by foreign tonnage shipped. During fiscal 2000 the container terminal in Boston handled 83,400 containers.

The Port of Boston is now a major cruise port which in fiscal 2000 hosted ships carrying 167,000 passengers. The cruise port mainly runs from May through October.

In 1996, the BRA and Massport produced a Seaport Economic Development Plan for Boston Harbor which provides policies and guidelines for future development planning along Boston's waterfront. The plan is currently being implemented.

In 2000, Logan Airport was served by 44 domestic and 14 international airlines. In fiscal 2000, Logan Airport served a total of 27.3 million passengers. A 1999 report showed that Logan was the most active airport in New England, the 18th most active in the United States and the 29th most active in the world, according to the Airports Council International ("ACI").

Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, in 1999 Logan Airport ranked 20th in the nation in total air cargo volume. Between fiscal 1996 and 2000 the total volume of air cargo handled at Logan Airport grew by 18%. In fiscal 2000 total combined cargo and mail volume was over one billion pounds.

In 2000, Massport projected that it would spend about \$2.8 billion during fiscal 1995 through 2005 for ongoing capital improvements to Hanscom Field, Logan Airport, Tobin Memorial Bridge and the port facilities and for improvements and major maintenance at various Massport properties. Massport currently expects to finance these projects with a combination of bond proceeds, passenger facility charges, federal grants and internally generated funds. The present plan to add a new runway at Logan airport is in preliminary stage of consideration and review and a further description is given in the section on "Large Public Sector Projects."

Construction Activity

Since 1960 the public and private sectors have carried out a major expansion of capital construction and investment activity. Private commercial development investment has added approximately 30 million square feet of office space to the physical inventory of the City since 1960—eight times the amount built in the previous 35 years.

The following table sets forth the estimated potential construction activity in the City from fiscal years 1990-2000, estimated as indicated in the notes to the table. It should be noted that the issuance of a building permit and payment of a fee do not necessarily result in construction activity.

Revenue from building permit fees during fiscal 2001 indicated that the estimate of total potential construction activity was \$3.199 billion. Revenue from building permit fees increased in all but four of the fiscal years between 1991 and 2001. Data from July 1, 2001 through December 31, 2001 (preliminary fiscal 2002) showed projected building permit revenues at an estimated annualized sum of \$21.2 million, resulting in a preliminary fiscal 2001 potential construction estimate of \$2.4 billion.

**Boston Building Permit Revenues and Estimated Potential Construction Activity
Last Ten Fiscal Years, 1992-2001**

	Building Permit Revenues⁽¹⁾	Estimated Potential Construction Activity⁽²⁾	Estimated Potential Construction Activity Adjusted For Inflation⁽³⁾
1992.....	\$9,136,207	\$1,074,847,882	\$1,388,559,000
1993.....	8,832,324	1,039,096,908	1,292,886,000
1994.....	9,039,951	1,063,523,647	1,308,633,000
1995.....	7,629,395	897,575,882	1,073,682,000
1996.....	11,777,653	1,385,606,235	1,614,547,000
1997.....	9,199,877	1,082,338,471	1,219,809,000
1998.....	14,757,703	1,736,200,395	1,916,717,000
1999.....	11,404,006	1,341,647,713	1,456,470,000
2000.....	17,922,648	2,108,546,846	2,211,517,000
2001.....	<u>27,192,000</u>	<u>3,199,040,000</u>	<u>3,199,040,000</u>
Total.....	<u>\$126,891,603</u>	<u>\$14,928,423,862</u>	<u>\$16,681,859,858</u>
Annual Average 1992-2001.....	\$12,689,160	\$1,492,842,386	\$1,668,185,986

- (1) Building permit revenues in current dollars. Columns may not add due to rounding.
(2) Potential construction activity estimated by dividing permit revenues by 0.85%, which is the midpoint between permit fees calculated at 0.7% of the first \$100,000 estimated value of development cost, and 1% for the remainder of development cost.
(3) Estimated potential construction activity adjusted to January 2001 constant dollars (CPI-U).

Note: Only partial data are available for Fiscal 2002, and are not shown in the table. Based upon building permit revenues from July 1, 2001 through December 31, 2001 (\$10.6 million) the estimated annual construction potential for Fiscal year 2002 would be \$2.4 billion. Since this is based on only six months of data and is subject to major seasonal variation the data are not reliable enough to put in the table.

Source: City of Boston Auditing Department and Boston Redevelopment Authority's Policy Development and Research Department.

Large Public Sector Projects

Through the year 2004 the Boston metropolitan area will continue to be the site of several major public sector projects. In addition to the BCEC described above, these projects include the depression of the Central Artery, the section of U.S. 93 that runs through downtown Boston, which is the key six-lane elevated interstate highway that carries traffic through the City, and the construction of a four-lane tunnel (the Ted Williams Tunnel) under Boston Harbor (together, the "Transportation Projects"). At present, the Central Artery connects with the Sumner and Callahan Tunnels, two two-lane tunnels under Boston, which link downtown Boston with Logan Airport and points north.

The first major milestone accomplished was the Ted Williams Tunnel, completed in late 1995 and now open for limited use until the balance of the Interstate 90 extension under the Fort Point Channel is completed. The second major milestone, the initial Leverett Circle Connector Bridge, was opened a week ahead of schedule in October 1999. The four-lane bridge over the Charles River carries traffic between Leverett Circle in downtown Boston and Interstate 93 in Charlestown. The next major milestone will be met in September 2002 when the extension of Interstate 90 (the Massachusetts Turnpike) will be completed which will run from its current terminus at Interstate 93 under Fort Point Channel to South Boston connecting with the Ted Williams Tunnel. This major interchange in South Boston will provide direct access to development in the area including the new BCEC. The Ted Williams Tunnel will be opened to all traffic when the extension is complete, and is expected to carry 88,000 vehicles a day compared to 25,000 vehicles a day currently with traffic restricted primarily to commercial vehicles. Tunnel use is projected to grow to 94,000 vehicles a day in 2002. The remaining schedule has the completion of the Northbound Central Artery in November of 2002, the southbound Central Artery in November of 2003, and total project completion, including demolition of the elevated structure and landscaping in December of 2004. Construction on the development parcels will begin after the Transportation Projects are finished. The Transportation Projects, which are intended to improve traffic flow within the City, are under the control of the Commonwealth.

In late August 2001, the Authority finalized its annual comprehensive cost and schedule review (“CSU Rev. 8”) as stipulated in the Project Partnership Agreement with the Commonwealth and Federal Highway Administration. The results of this bottom to top review of costs were incorporated into the Authority’s annual finance plan submitted to the Federal Highway Administration on August 31, 2001 (the “October 2001 Finance Plan”). The Authority estimated total Project costs to be \$14.475 billion, an increase of \$400 million over the October 2000 Finance Plan. The Project and the Commonwealth have identified this additional \$400 million in funding from primarily existing revenue sources: \$175 million from the Transportation Infrastructure Fund (TIF); \$150 million from the proceeds of Commonwealth bonds under existing authority; \$68 million from the sale of Authority real estate; and, \$7 million from the proceeds of Commonwealth bonds issued pursuant to unutilized bond authorizations from other Commonwealth projects.

The TIF was created in 2000 to address the additional cash needs of the Project. Higher than projected interest earnings in the fund (\$50 million) as well as increased borrowing capacity (\$125 million), from higher than projected vehicle registration and license renewal fees enable the TIF to generate additional funding for the Project. The \$150 million in funding identified from the existing State bond cap will come from the exchange between the Commonwealth and the Project of \$150 million in federal funds the Project cannot use with \$150 million in state bond cap. This exchange can be achieved without impacting the statewide road and bridge program while remaining within the Transportation Projects’ \$8.549 billion federal funding cap. The Authority has property that will be actively marketed for sale or lease in fall of 2001 that has an appraised value of \$100 million. Sixty-eight million dollars in proceeds from this transaction will be used to fund Project costs. An additional \$7 million in funding has also been identified in surplus State bond cap. In closing its books in State Fiscal Year 2001, the Commonwealth identified \$7 million in excess State bond cap not utilized by non-transportation agencies. The Executive Office of Administration and Finance has allocated these proceeds to the Project.

The Massachusetts Port Authority has developed a long-range capital program of approximately \$3.0 billion for improvements at its facilities, most of which are located in the City. The capital program includes a major modernization of Logan Airport, currently underway, which will include a new double-decked roadway system, a new 3,150 car parking garage, a new public transit terminal, improved walkways, major terminal renovations, a new 600-room hotel, and a new sign system. This capital program also includes non-Logan improvements and privately financed investments at Massport facilities.

The Massachusetts Water Resources Authority (“MWRA”), an independent state authority, has recently completed the construction of one of the largest wastewater treatment facilities in the nation. This project, which was undertaken pursuant to a federal district court order, was part of MWRA’s capital improvement program with a cost of approximately \$3.8 billion (1999 dollars). The project is intended to bring wastewater discharges in Boston Harbor into compliance with federal and state requirements.

The MWRA is planning to spend approximately \$1.5 billion on water and wastewater system improvements over the next ten years to 2012. The largest expenditures will be for the Walnut Hill Water Treatment Plant, improved water storage facilities, and reductions in combined sewer overflows. Relatively small portions of these improvements are located in Boston proper but they should nonetheless provide major improvements in the system infrastructure that serves the City. Projects are funded through state grants and loans and the issuance by MWRA of revenue bonds backed by rates and charges paid by the users. Such rates and charges are expected to continue to increase each year, dictated in large part by increased debt service costs in connection with financing its capital program.

The City is not directly responsible for the costs of any of the above-described projects, although the BWSC, which pays approximately 30% of all MWRA rates and charges, is expected to bear a portion of the cost of the MWRA capital program through increased user fees. The City is currently negotiating with the Commonwealth to receive mitigation payments for any City services (such as fire and police) which may be required to support the Transportation Projects. No such services are expected to be required for MWRA projects.

The Boston Housing Authority (“BHA”) recently completed major revitalization initiatives at two of its public housing developments: Mission Main, in the Mission Hill neighborhood of Boston, and Orchard Park, in Roxbury. The BHA was able to initiate the revitalization of these developments when it was awarded two HOPE VI grants from the U.S. Department of Housing and Urban Development (“HUD”).

The grants, totaling \$80 million, were used to implement a new approach to public housing financing, incorporating innovative partnerships with public and private entities which leveraged additional development funds. The initiatives not only revitalized the BHA sites, but the surrounding neighborhoods as well. Moreover, in September 2001, HUD awarded the BHA a \$35 million HOPE VI grant to redevelop the Maverick Gardens housing development in East Boston. The Maverick Gardens HOPE VI award will be supplemented by other public and private financial sources for a total project cost of \$145 million.

Massport is currently proposing to build a new runway at Logan Airport to enhance the efficiency of operations and to relieve reported flight delays. This proposal is now undergoing environmental review. In the New England region, capital and operating improvements at the five other regional airports have resulted in capacity upgrading and more efficient usage of air traffic operations.

The Convention Center Act authorized the development of the Boston Convention and Exhibition Center (the "BCEC Project") on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the BRA, and the MCCA. The 1.6 million square foot facility will include approximately 516,000 square feet of contiguous exhibition space on one level, 160,000 square feet of meeting space and a 41,000 square foot ballroom, as well as banquet and lecture halls. The BRA was authorized by the Convention Center Act to acquire and prepare the site for the BCEC Project. The acquisition of the site is complete, and the required site preparation, including tenant relocation, demolition, and environmental remediation, is also substantially completed. The MCCA is responsible for the design and construction of the BCEC project, and its operation upon completion. The BCEC Project is currently expected to be completed in the spring of 2004. In addition to the BCEC, the MCCA is undertaking the development of a 1,200 room convention center hotel on the northeast corner of the BCEC Project site.

Under the Convention Center Act, all costs of site acquisition and preparation incurred by the BRA for the BCEC Project have been borne by the City up to an initial ceiling of \$157.8 million. All such costs in excess of \$157.8 million and up to \$205 million is being borne by the Commonwealth. If the costs of site acquisition and preparation exceed \$205 million, the Convention Center Act provides that the City and the Commonwealth will share the excess equally up to a maximum of \$50 million (i.e., an additional \$25 million each). All cost of design and construction of the BCEC Project is being funded by the Commonwealth. The MCCA's construction budget for the BCEC is \$607 million. Foundation and structural steel work is proceeding. Contracts have been let for substantially more than half of the estimated construction work. Furthermore, a mutually beneficial guaranteed maximum price (GMP) has been negotiated between the MCCA and the construction manager. The GMP gives the construction manager a deadline that is structured both by financial incentives and penalties, and clearly defines the circumstances under which the financial burden of cost overruns shall be shifted from the MCCA to the construction manager.

Funding for the BRA's portion of the project was authorized by the City in March 1998. Over a three and one-half year period, the BRA has expended \$190.3 million on site acquisition and preparation, with the bulk of the expenditures occurring during fiscal 1999 and fiscal 2000, and with site acquisition the largest cost. As required by the Convention Center Act, the state has reimbursed the BRA for \$32.5 million of this cost. Another \$14.7 million in state funding is available prior to the City sharing in any additional cost. Whether total cost for site acquisition and preparation will exceed \$205 million is primarily dependent on the outcome of eminent domain court cases for those parcels for which a final settlement has not been reached (approximately one-quarter of the site acreage). However, the City estimates that the potential liability of the Commonwealth and the City for project costs will not exceed the total amount authorized for site acquisition and preparation in the Convention Center Act.

In addition to the BCEC, the MCCA is undertaking the development of a 1,200 room convention center hotel on the northeast corner of the BCEC Project site. After a public bidding process, a team composed of Starwood Hotels and Carpenter & Company was selected in November 1999 to be the operator and developer of the on-site hotel. The developer has signed a development agreement with the MCCA and made a substantial deposit as part of the agreement. While preliminary work on the hotel project, such as design and permitting, has proceeded, construction has been delayed as the developer continues to seek financing for the project.

Empowerment Zone Designation

On January 13, 1999, the City was designated an Empowerment Zone (“EZ”) by the U.S. Department of Housing and Urban Development. This makes Boston eligible to share in proposed federal grants and tax-exempt bonding authority to finance sweeping revitalization and job creation programs over the following ten years. The ten-year EZ designation brings with it \$130 million in tax-exempt bonding authority for qualified projects and \$100 million in grants. Boston is expected to receive \$10 million per year for ten years. To date \$3 million was approved by the Federal government for year one and \$3.6 million was approved for year two. Goals of the EZ include: job creation, business development, home ownership opportunities, affordable housing creation, transit system improvements, computer technology training, and job training and educational efforts. Over the life of the EZ, millions of dollars of investment is expected to be leveraged locally by organizations, including: public institutions, companies, educational institutions, hospitals, philanthropic groups, utilities, and others. Boston’s EZ will also give the City priority for other federal programs. The EZ, wholly within Boston, encompasses 5.8 square miles, running north to south right through the center of the City, including parts of the neighborhoods of South Boston, Downtown, the Seaport District, Chinatown, the South End, Mission Hill, Roxbury, Jamaica Plain, and Dorchester. The EZ contains 57,640 residents (roughly 10% of the City’s population), has an unemployment rate of 16.1%, and has 43% of the adult (age 25+) population with less than a high school diploma.

Boston had filed an empowerment zone application in 1994 but instead received Enhanced Enterprise Community (“EEC”) designation on December 21, 1994 by the Department of Housing and Urban Development. As an EEC, Boston receives Economic Development Initiative (“EDI”) grants which are to be used only within the EEC and are intended to complement and be used in concert with Section 108 Loan Guarantees. EDI grants may be used to write down interest rates on Section 108 loans and to establish a loan loss reserve. The EDI grant makes the City eligible for matching Section 108 funds which can be used as capital improvement loans for commercial or industrial projects that either produce jobs of which 60% are for low and moderate-income residents, or aid in the prevention or elimination of slums or blight, or urgent community needs.

As part of the EEC designation, the City was awarded \$2.95 million from Title XX Social Service Block Grant (SSBG) funding. SSBG funding is used to conduct human service programs that will help connect residents to jobs. These programs include adult job skills training; adult education, including ESL, GED, ABE; alternative education for “youth at risk”; and expansion of Day Care availability. Finally, EEC designation enables development projects or human service programs impacting the EEC to take advantage of certain tax benefits and priority in other Federal funding programs.

In November 1995, the Boston Empowerment Center (“BEC”) was created as a mechanism to provide small businesses a comprehensive array of financial and technical assistance to help them start and stay in business. The BEC/One Stop Capital Shop provides information and services in many areas, including business start-up assistance, acquisition, loan packaging assistance, help with business plan development, access to a wide-range of capital resources, as well as assistance with marketing plans, government procurement, international trade, technology transfer, market diversification, and language translation.

Since the designation of Boston as an Enhanced Enterprise Community in 1994, neighborhood development activities have resulted in the addition of approximately 700 permanent jobs to the Empowerment Zone economy. These projects have been supported by \$52.3 million in EEC/EZ financing and have leveraged more than \$23 million in private investment. Commitment to the Empowerment Zone has come from many different sources. The City, community development corporations, Federal and State government, and private investments have all resulted in greater economic strength of the Zone.

EEC and EZ resources through tax-exempt bonds and HUD Section 108 loans/EDI funds, have also facilitated business development financing. Anchor projects totaling over \$40 million include: \$8 million in tax-exempt financing for the Best Western Roundhouse Hotel; \$3 million for Laboure Center in South Boston; \$10 million in tax-exempt bonds for the New Boston Seafood and Pilot Seafood Distribution Facility in the Seaport District; \$3 million to the Henry Miller Manufacturing Company; \$6.2 million for the South End Community Health Center; \$15.5 million for the redevelopment of Dudley Center, four buildings in Dudley Square; \$6.8 million for Grove Hall Mall; \$5 million for CrossTown Center; \$3 million

for North Coast Seafood and Commercial Lobster; and \$540,000 for Merengue Restaurant on Blue Hill Avenue. In other financing programs, the Boston Local Development Corporation ("BLDC") has provided loans to businesses in the EEC, and private banks have provided leveraged financing. Also, five EEC neighborhood business districts have been designated participants in the Main Streets program, which assists businesses in helping become more competitive.

Finally, achievements in human service initiatives are evident as of Spring of 1999. The majority of Title XX Social Services Block Grant awards was spent on adult basic education courses and job training. In the EEC at large, jobs were created or retained, technical assistance moneys were expended, EEC residents participated in skills training, EEC residents took ESL, GED, and basic education courses, EEC children benefited from day care quality improvement grants, and day care slots were created. Many other human services goals have been met, too numerous to identify, which have benefited the homeless, youth, public housing tenants, child-care services, and alternative education.

Housing development within the EEC has also produced results. The modernization programs for Orchard Park and Mission Main public housing projects were completed. In addition, single family homeowner rehabilitation projects for seniors and through the HOMEWORKS program have begun.

Office Market and New Development

The City currently has approximately 52.9 million square feet of office space. By the third quarter of 2001 (September 30th) Boston's overall vacancy rate according to CB Richard Ellis was reported to be 8.5%, having risen from 0.7% as of one year before. Another realty firm, Spaulding & Slye Colliers places the City's office vacancy rate at 4.9% (10.7% when including space to sub-let). There is no accepted standard accounting for office vacancy rates so private realty firms surveys vary based upon the amount of office space covered, geographical coverage, and inclusion of new or old office space. Certainly, given the economic slowdown of 2001 office vacancies did rise substantially. Net absorption (rental) of office space in 2001 was -2.2 million square feet.

In 2000, three office projects were completed: the Seaport Center East office tower, a 475,000 square feet building on the South Boston waterfront; the Renaissance Center, a renovation of a 200,000 square-foot office building near the Ruggles Stop on the Orange Line in Roxbury; and, the Landmark Center reuse project in the Fenway which includes 600,000 square feet of office space. So far in 2001 five office projects have opened: 10 St. James at the former Greyhound bus terminal site, a 570,000 square-foot building; 111 Huntington Avenue at the Prudential complex, an 874,000 square-foot tower; 303 Congress Street, a 72,000 square-foot renovation; 326 Cambridge Street, a 70,000 square foot building; and Independence Wharf, a 14-story 370,000 square foot renovation project

As of December 2001, five major downtown office projects with 3.1 million square feet of new office space is under construction, and is scheduled for completion in the 2002-2004 time period: 131 Dartmouth Street, a 353,000 square foot tower in the Back Bay; Seaport Center West, a 575,000 square foot tower on the South Boston waterfront; ManuLife Financial, a \$135 million, 14-story, 470,000 square foot building in the South Boston Waterfront area; One Lincoln Center, a 967,000 square foot tower at the former Kingston-Bedford garage site in the financial district; and, 33 Arch Street a 600,000 square foot building and a 800 car garage. In addition, there are several large neighborhood office projects with nearly 1 million square feet of office space on-going: Brighton Landing (headquarters of New Balance) which includes 500,000 square feet of office space; the Cornerstone and the CANA parcels in Charlestown, containing 171,000 square feet of office space; at least four buildings in Dudley Square (Roxbury) which are undergoing a combination of new construction and preservation, including the relocation of the Massachusetts Department of Public Health; the Crosstown project in the South End/Roxbury a mixed-use project which is expected to contain a 9-story office building on Melnea Cass Boulevard; One Brigham Circle in Mission Hill; and Midway Street in South Boston.

For completion beyond 2004, several large office projects are in the planning stages: a 1.2 million square-foot tower on top of the South Station air-rights; Two Financial Center, a 200,000 square foot building behind the One Financial Center tower; the Fan Pier project containing 1.3 million square feet of office space; and an 11-story office building developed by Boston Properties next door to the Hynes Convention Center in the Back Bay.

Boston Office Market—September 30, 2001

<u>Market</u>	<u>Total (SF)</u>	<u>Total Avail. SF</u>	<u>Total Vacant SF</u>	<u>Available (%)</u>	<u>Vacancy (%)</u>	<u>YTD Absorption*</u>
Financial District.....	31,577,184	3,388,673	1,484,764	10.7%	4.7%	-1,767,218
Back Bay.....	11,464,099	1,215,213	480,977	10.6	4.2	-61,384
South Boston Waterfront	3,247,498	544,690	378,131	16.8	11.6	-48,490
North Station.....	2,302,681	173,224	52,902	7.5	2.3	-68,595
Charlestown.....	2,167,928	159,795	103,658	7.4	4.8	-136,795
South Station.....	2,152,888	166,987	77,352	7.8	3.6	-132,355
Citywide Total.....	52,912,278	5,648,582	2,577,784	10.7	4.9	-2,214,837

* Columns may not add due to rounding.

Source: Spaulding and Slye Colliers, Third Quarter 2001.

Comparative Office Vacancy Rates 20 Largest Downtown Office Markets as of September 30, 2001

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Washington DC	3.5%	Philadelphia	10.1%
Denver	6.8	Seattle	10.5
Baltimore.....	7.4	Manhattan (Downtown).....	10.7
San Diego	7.4	San Francisco.....	12.9
Houston	7.7	Phoenix	13.3
Oakland	7.9	Atlanta	14.2
Manhattan (Midtown).....	8.4	Los Angeles	14.9
Boston.....	8.5	Kansas City.....	17.3
Chicago.....	9.5	Detroit.....	19.3
Minneapolis-St. Paul	9.5	Dallas	24.9
National Average ⁽¹⁾ 10.4%			

(1) National Average is based on 49 U.S. cities (41 downtowns) from the CB Richard Ellis Office Vacancy Index.

Source: CB Richard Ellis Office Vacancy Index, Third Quarter 2001.

Retail Market

As of 1997, the date of the last U.S. Economic Census, Boston was within the ninth largest metropolitan retail market in the nation, consisting of the City plus the Massachusetts metro areas of Lowell, Lawrence, Salem and Brockton. Of the approximately 10 million square feet of retail space in the City, approximately six million square feet are located in downtown Boston and Back Bay. About 2,262 retail establishments were located in the City in 1997 and had estimated total sales of \$5.6 billion according to the U.S. Census of Retail Trade. According to the U.S. Economic Census for 1992 and 1997 sales increased in Massachusetts, Metro. Boston, and the City of Boston. See the table below.

Recent major retail projects in downtown Boston include: TJ Maxx and H&M in the first phase of 33 Arch Street; Eddie Bauer's and Citizen's Bank in the Lafayette Corporate Center in Downtown Crossing; a new CVS at 55 Summer Street; a Walgreen's at Winthrop Square; and a Sports Club/LA and Loew's Boston Common movie theaters at the new Ritz Carlton Towers at Millennium Place. As part of the office and mixed-use projects downtown several new developments such as One Lincoln Place and Fan Pier will have substantial new retail space. In the Back Bay, projects include: renovation work on a new Ralph Lauren store at 93 Newbury Street, the site of the former Kakas Furriers; an addition to Prudential mall at the 111 Huntington Avenue building; and, an Eastern Mountain Sports Store opened on Boylston Street.

In the neighborhoods, the South Bay Center Mall open 24 hours a day, contains The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-Us, a supermarket and other stores. This center claims to contain some of the highest grossing stores in the nation in an inner-city location. More recently, in the Fenway, the new Landmark Center has been completed, containing roughly 200,000 square feet of retail and theater space. There are now 21 neighborhood business districts operating within The Main Streets Program following the addition of ones in West Roxbury and Jamaica Plain. This program is a public-private initiative of the City established in 1995 to revitalize neighborhood commercial districts through locally established organizations. The program had generated, as of the end of December 2001, 386 net new and expanded businesses, created 2,761 net new jobs, and included 227 storefront improvement projects. Through December 2001, the Main Streets Program has also generated \$638,797 in

public sector investment, in the form of physical improvement grants, which has leveraged an additional \$2.02 million in private investment. Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods—nine new neighborhood supermarkets have opened in the past five years while two have been expanded and a new Shaw's supermarket has begun construction at the Prudential Center. In other neighborhood developments, the Grove Hall Mecca, an inner-city shopping mall has opened as part of a major Blue Hill Avenue redevelopment. In Roxbury and Dorchester major efforts to redevelop retail business districts in Dudley Square and Grove Hall are showing building activity with a super Stop & Shop. A major retail development in the planning stages is Crosstown commercial complex in the South End, which will have retail and theater space serving the neighborhoods. These are all solid signs of investment in the inner-city

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-1997

(In thousands, not adjusted for inflation)

<u>Massachusetts</u>		<u>Metropolitan Boston</u>		<u>City of Boston</u>	
<u>Retail Sales</u>	<u>Change</u>	<u>Retail Sales</u>	<u>Change</u>	<u>Retail Sales</u>	<u>Change</u>
1992.....	\$47,663,248	\$27,058,734		\$4,180,888	
1997.....	\$65,847,179	\$39,400,608		\$5,607,981	
5-Year Change		5-Year Change		5-Year Change	
	38.2%	45.6%		34.1%	

(1) Metropolitan Boston in this usage is the Boston PMSA as defined in 1992

(2) Total retail sales includes the new census definition of retail sales (NAICS) from the series of Retail trade plus the "foodservices and drinking places" category from the series of Accommodation and Food Services.

Source: 1992 data from the 1992 Economic Census for Retail Trade. 1997 data from the 1997 Economic Census for Retail trade for retail) and for the 1997 Census for Accommodations and Foodservices (for foodservices and drinking places)

Industrial Market and Recent Developments

According to surveys by the Boston Redevelopment Authority (BRA), Boston has just over 25 million square feet of industrial space within the City limits. As of January 2000, according to the BRA, over 5.6 million square feet of industrial space was surveyed and the vacancy rate was found to be 22.5%, with almost 1 million square feet unoccupied. The average rent for quality industrial space was estimated to range from \$2.50 to \$19.00 per square foot (triple net). According to records from the City's Assessing Department, there were 48.3 million square feet of industrial space in 2000, which consisted of manufacturing, warehouse, and research and development.

From 1992–1995, a Cambridge-based biotechnology firm, Genzyme Corporation, constructed an \$85 million biopharmaceutical manufacturing plant in Allston. Genzyme has plans to build further manufacturing, research and development and headquarters facilities on the site during the 2000s.

Certain companies were forced to lay off employees in the mid-1990s because of business strategies and downsizing efforts. For example, Digital Equipment Corporation ("DEC") closed its Roxbury plant in late 1993 and Stride Rite Corporation closed its plant in Roxbury in 1997. These plant closings will have eliminated a total of 350 manufacturing jobs, representing about 1.0% of the City's industrial jobs. In 1995, H.P. Hood decided to consolidate its operations in the suburbs and closed its Charlestown Plant.

The City purchased the former DEC building in Roxbury in late December 1994. The facility houses the Boston Technology Development Center ("BTDC"). The BTDC opened an Innovation Center operated by the Massachusetts Biotech Research Institute ("MBRI"). The Innovation Center can be thought of as a "super incubator" which includes four major components: a physical incubator with shared conference and reception facilities; a relationship with venture capital funding; a technology transfer office which helps locate technologies with commercial potential; and a comprehensive education and training program. The MBRI incubator space is currently fully occupied with spin-off firms. The BTDC is providing many benefits to the neighborhood and citywide including construction jobs, permanent jobs, education and training programs, public school seminars, youth education, and neighborhood workforce development programs. Over \$20 million in venture capital funding is supporting the new companies that are housed at the BTDC—\$5 million in Federal funds awarded to the project leveraged these private funds. Full occupancy of BTDC was achieved in 1998 with the tenancy of HiQ Computers, which took the final 30,000 square feet for the assembly and repair of computer systems. In 1999 the Crosstown site was planned to be developed into a shopping center and theater complex. HiQ Computers will be relocated, possibly to BMIP. The Boston Empowerment Center (BEC) office and MBRI have been relocated.

There were seven projects completed in the 1995-1997 period: the Advanced Electronics expansion to 110,000 square feet; the expansion of the Boston Freight Terminal in Marine Industrial Park; the American Engineered Components move from Cambridge to Boston; the Zoom Telephonics building doubling in size to 150,000 square feet; Boston Ship Repair's expanded business in Dry-Dock 3 at BMIP; The Harry Miller Company development of 36,000 square feet of space with assistance in Boston's EEC; and, the completion of the New Boston Seafood Center, housing seven seafood companies in a 70,000 square-foot state-of-the-art facility in the Boston Marine Industrial Park ("BMIP").

In 2000 there were three major industrial projects completed on the waterfront in South Boston: the International Cargo Port, a 400,000 square foot warehouse, freight forwarding, and office facility on the South Boston waterfront; North Coast Seafood, a 60,000 square foot seafood processing facility in the BMIP; and the new Boston Seafood Center, a \$20 million, 150,000 square foot facility with seven companies as tenants. Also, Pilot Sea Food has a 60,000 square foot processing plant under construction while Legal Sea Food is planning an additional processing facility.

Other industrial projects are also in motion in 2000 around the City. Mayor Menino announced the Back Streets Initiative, a plan to support and strengthen neighborhood industrial uses. Sprint Corporation recently opened a new 70,000 square foot data center in Fenway. A development of Spire Printing and Graphics Company, of \$13.5 million and 78,000 square feet, has begun in the Savin Hill section of Dorchester and is scheduled for completion in the summer of 2002. The renovation of the J. Baker facility in Hyde Park, to include 400,000 square feet of industrial space for lease, is underway. Cabot, Cabot & Forbes temporarily halted construction of Internet City, a 450,000 square feet project, in Allston and is actively pursuing alternate uses including bio-tech manufacturing. According to a recent study, by Lehman Brothers and Cushman & Wakefield, only 25% of the telecommunications space in the Boston area was actually leased and over 1.1 million square feet of the area's 2.8 million square feet was not being used. The Boston area ranked with Los Angeles and Miami as the three cities with the most surplus capacity in the telecommunications sector.

Housing Stock, Housing Values, and Development

The U.S. Bureau of the Census reported on some characteristics of the City's housing stock in April of 2000. The total of 250,863 units grew by 1,072 from 1990, the date of the previous decennial census. The composition of occupied housing has been changing. The number of occupied rental apartments increased between 1990 and 2000, going from 157,920 to 162,302, a gain of 4,382 or 2.8%. The number of owner-occupied units also increased between 1990 and 2000, going from 70,544 to 77,226, a gain of 6,682 or 9.5%. The percentage of owner to renter occupied units between 1990 and 2000 went from 30.9%/69.1% to 32.2%/67.8%. With the small addition of new units and the large gain in occupied units the number of vacant units dropped from 22,399 in 1990 to 12,407 in 2000 while the vacancy rate for owner and renter housing fell from 2.6% and 7.8%, respectively, in 1990 to 1.0% and 3.0%, respectively, in 2000. As of late 2001, the housing vacancy rate was rising slightly.

Condominium units have increased from about 4,500 in 1980 to over 33,000 in 1990, representing 13% of the housing stock. No data on 2000 condominium units is yet released. In 2000, public and publicly assisted housing constituted 17% of the City's housing stock.

Within the City, the U.S. Bureau of the Census reported from the Special Survey in 2000 (C2SS) that the median value of a single-family home was \$216,563 in 2000, the median monthly mortgage payment was \$1,312, and the median contract rent in the City was \$875 per month in 2000. The reason these costs appear to be lower than the rent and sales figures in tables below is that the Census numbers track what people with existing housing are paying, not including any subsidies which might be involved (for rental housing) and the owner costs are what existing owners are paying. The tables below show what new owners would pay for sales prices and what new renters would pay in rent.

A 2000 study done by the Department of Neighborhood Development showed that the median rent for an apartment in Boston as advertised in the newspapers was \$1,325 per month for a one-bedroom apartment, \$1,600 for a two-bedroom apartment and \$1,800 for a three bedroom apartment.

**Median Advertised Asking Monthly Rent In Boston Neighborhoods
And The Volume Of Advertised One-Bedroom Apartments
For 1999 And 2000***

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>1999</u>	<u>2000</u>	<u>Percent</u>	<u>1999</u>	<u>2000</u>	<u>Percent</u>
Allston/Brighton	\$925	\$1,000	8%	516	444	(14)%
Back Bay/Beacon Hill	1,450	1,550	7	1,438	1,086	(24)
Central	1,300	1,200	(8)	130	124	(5)
Charlestown	1,200	1,225	2	65	66	2
Dorchester	825	825	0	**	**	***
East Boston	700	798	14	16	14	(13)
Fenway/Kenmore	1,075	1,200	12	86	64	(26)
Hyde Park	**	**	***	**	**	***
Jamaica Plain	850	1,048	23	32	29	(9)
Mattapan	**	**	***	**	**	***
Roslindale	763	900	18	20	7	(65)
Roxbury	**	**	***	**	**	***
South Boston	850	898	6	72	60	(17)
South End	1,300	1,500	15	121	112	(7)
West Roxbury	800	**	***	17	**	***
Citywide	1,250	1,325	6	2,536	2,914	(15)

* Comparing October 1, 1998-September 30, 1999 to October 1, 1999-September 30, 2000

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Source: City of Boston, Department of Neighborhood Development using the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey.

**Median Advertised Asking Monthly Rent In Boston Neighborhoods
And The Volume Of Advertised Two-Bedroom Apartments
For 1999 And 2000***

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>1999</u>	<u>2000</u>	<u>Percent</u>	<u>1999</u>	<u>2000</u>	<u>Percent</u>
Allston/Brighton	\$1,275	\$1,400	10%	544	460	(15)%
Back Bay/Beacon Hill	1,900	2,100	11	1,146	714	(38)
Central	1,900	1,800	(5)	162	111	(31)
Charlestown	1,500	1,600	7	81	63	(22)
Dorchester	1,050	1,200	14	22	22	0
East Boston	**	1,100	***	**	11	***
Fenway/Kenmore	1,600	1,600	0	52	52	0
Hyde Park	1,000	**	***	11	**	***
Jamaica Plain	1,200	1,300	8	64	72	13
Mattapan	**	**	***	**	**	***
Roslindale	1,000	1,200	20	43	33	(23)
Roxbury	1,100	1,300	18	13	18	38
South Boston	1,300	1,300	0	88	100	14
South End	1,650	1,950	18	96	107	11
West Roxbury	1,125	1,200	7	41	43	5
Citywide	1,500	1,600	7	2,373	1,929	(19)

* Comparing October 1, 1998-September 30, 1999 to October 1, 1999-September 30, 2000

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Source: City of Boston, Department of Neighborhood Development using the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey.

**Median Advertised Asking Monthly Rent In Boston Neighborhoods
And The Volume Of Advertised Three-Bedroom Apartments
For 1999 And 2000***

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>1999</u>	<u>2000</u>	<u>Percent</u>	<u>1999</u>	<u>2000</u>	<u>Percent</u>
Allston/Brighton	\$1,550	\$1,800	16%	290	254	(12)%
Back Bay/Beacon Hill	2,500	2,550	2	286	152	(47)
Central	2,300	2,700	17	43	16	(63)
Charlestown	1,948	2,300	18	29	20	(31)
Dorchester	1,000	1,200	20	22	27	23
East Boston	**	**	***	**	**	***
Fenway/Kenmore	1,893	1,895	0	18	26	44
Hyde Park	**	**	***	**	**	***
Jamaica Plain	1,500	1,600	7	55	46	(16)
Mattapan	**	**	***	**	**	***
Roslindale	1,200	1,375	15	26	17	(35)
Roxbury	1,350	1,500	11	13	24	85
South Boston	1,500	1,600	7	63	67	6
South End	1,975	2,200	11	24	21	(13)
West Roxbury	1,300	1,500	15	16	23	44
Citywide	1,800	1,800	0	900	734	(18)

Comparing October 1, 1998-September 30, 1999 to October 1, 1999-September 30, 2000

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Source: City of Boston, Department of Neighborhood Development using the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey.

After nearly six years of relative stability, 1990-1996, home prices have risen at a fast pace since the first quarter of 1996. The National Association of Realtors reported that the median sale price of existing homes in the Boston metropolitan area was \$314,200 for 2000, an 8.3% increase over the 1999 median sales price. Between 1995 and 2000 the median price increased by 76%. The third quarter 2001 price of \$367,000 was 3.2% higher than the price from third quarter 2000.

Greater Boston Annual Median Sales Prices For Existing Homes, 1990-2000

<u>Year</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual Median</u>	<u>Annual % Change</u>
1990	\$177,300	\$176,200	\$175,900	\$165,700	\$174,100	(4.3%)
1991	160,100	171,300	175,500	167,000	170,100	(2.3)
1992	168,200	173,300	175,100	165,200	171,100	0.6
1993	160,500	175,600	176,900	172,700	173,200	1.2
1994	170,600	181,300	187,300	176,600	179,300	3.5
1995	175,100	179,000	183,200	177,400	179,000	(0.2)
1996	197,300	195,300	195,300	177,100	189,300	13.0
1997	NA	NA	NA	NA	229,000	21.0
1998	NA	NA	NA	NA	258,400	12.8
1999	265,000	294,000	301,000	291,000	290,000	12.2
2000	303,000	330,300	356,000	329,500	314,200	8.3
2001	345,100	356,200	367,300	NA	NA	NA

Note: Data for the quarters of 1997 and 1998 were not available from the National Association of Realtors or the Greater Boston Real Estate Board.

Source: National Association of Realtors and the Greater Boston Real Estate Board.

Within the City, residential sales prices increased steadily from 1998 through third quarter 2000. The median sales price for a single-family home in Boston reached \$222,500 in the third quarter of 2000, showing a strong 29% gain over two years, but still affordable, at 63% of the median metropolitan area price. Condominium prices have also increased from \$158,000 in the third quarter of 1998 to \$225,000 in the third quarter of 2000, a 42% rise.

**Median Residential Sales Prices for Boston
Third Quarter 1998 Through Third Quarter 2000**

<u>Year</u>	<u>Quarter</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three Family</u>	<u>Condominium</u>
1998.....	Third.....	\$172,700	\$178,500	\$162,000	\$158,000
	Fourth.....	155,000	173,250	165,000	159,650
1999.....	First.....	160,000	180,000	170,000	166,463
	Second.....	180,000	185,000	183,000	180,000
	Third.....	190,000	200,000	199,000	170,000
	Fourth.....	188,000	217,777	210,000	180,000
2000.....	First.....	195,850	213,000	225,000	205,000
	Second.....	215,000	240,500	237,500	225,000
	Third.....	222,500	270,000	254,500	225,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, December 2000.

Banker & Tradesman, a local trade journal, reported that during the full year 2000 there were 10.0% less total residential sales in the City than there were in the full year 1999 (8,862 versus 9,849). Sales of single-family homes, multi-family houses, and condominiums all fell in 2000 compared with 1999. Total residential sales for January through November of 2001 numbered 7,400, or a drop of 10.6% over the 8,277 for the same period in 2000. In the first eleven months of 2001, single-family home sales fell by 0.3% while condominium sales dropped by 8.8% over sales for 2000.

**Annual Residential and Condominium Sales in Boston
1990-1999**

<u>Year</u>	<u>Single Family Sales</u>	<u>Percent Change</u>	<u>Multi-Fam. Residential Sales ⁽¹⁾</u>	<u>Percent Change</u>	<u>Total Condominium Sales</u>	<u>Percent Change</u>	<u>Residential and Condo Sales ⁽²⁾</u>	<u>Percent Change</u>
1990.....	874		1,934		2,181		4,989	
1991.....	890	1.8%	1,650	(14.7%)	1,994	(8.6)	4,534	(9.1)
1992.....	1,102	23.8	1,718	4.1	2,476	24.2	5,296	16.8
1993.....	1,229	11.5	2,117	23.2	2,748	11.0	6,094	15.1
1994.....	1,568	27.6	2,698	27.4	2,914	6.0	7,180	17.8
1995.....	1,518	(3.2)	2,749	1.9	2,843	(2.4)	7,110	(1.0)
1996.....	1,535	1.1	2,848	3.6	3,437	20.9	7,820	10.0
1997.....	1,585	3.3	2,975	4.5	3,900	13.5	8,460	8.2
1998.....	1,475	(6.9)	2,992	0.6	4,424	13.4	8,891	5.1
1999.....	1,540	4.4	3,255	8.8	5,054	14.2	9,849	10.8
2000.....	1,282	(16.8)	2,922	(10.2)	4,658	(7.8)	8,862	(10.0)

(1) Total residential sales mean all single and multi-family residential properties but not condominiums.

(2) Equals total residential sales plus total condominium sales.

(3) NOTE: Between January and November 2001 the data were as follows compared with January through November of 2000: single-family residential sales 1,164 versus 1,200 (-0.3%), multi-family residential sales 2,274 versus 2,734 (-16.8%), total condominium sales 3,962 versus 4,343 (-8.8%) and the grand total 7,400 versus 8,277 (-10.6%).

Source: Banker and Tradesman.

Prices and sales volumes for single family homes and for condominiums show strength and remarkable diversity across the neighborhoods of Boston. Areas of the City with the largest numbers of single family home sales included West Roxbury, Dorchester, Hyde Park and Roslindale. Single family prices ranged from \$131,000 in Roxbury to \$690,000 in the South End with the median at \$213,500 and the typical house going for \$262,000 in West Roxbury, the most suburban-style single family neighborhood within the City limits.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, Through September 1999 and 2000
(Not adjusted for inflation)

<u>Neighborhood</u>	<u>1999 Single Family Price</u>	<u>2000 Single Family Price</u>	<u>Percent Change</u>	<u>1999 Sales Volume</u>	<u>2000 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$251,000	\$279,350	11%	77	42	(45%)
Back Bay/Beacon Hill ...	**	**	***	7	4	***
Central	**	**	***	2	2	***
Charlestown.....	325,000	376,175	16	48	43	(10)
Dorchester	145,000	169,900	17	181	133	(27)
East Boston.....	110,000	138,000	25	35	33	(6)
Fenway/Kenmore	**	**	***	3	0	***
Hyde Park.....	151,500	182,500	20	175	140	(20)
Jamaica Plain.....	290,000	390,000	34	62	64	3
Mattapan.....	122,000	160,000	31	47	50	6
Roslindale.....	183,500	222,500	21	142	121	(15)
Roxbury	113,000	131,000	16	39	48	23
South Boston	209,000	245,000	17	40	55	38
South End	660,000	690,000	5	18	13	(28)
West Roxbury.....	229,000	262,000	14	247	201	(19)
Citywide	179,900	213,500	19	1,123	949	(15)

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Note 1: These prices exempt all sales of properties of less than \$10,000 and greater than \$1,000,000 because those data distort the data mainly because the low price sales are not considered to be "arms-length" transactions.

Note 2: These are not "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development, and December 2000.

Condominium sales volume and prices also showed strength and diversity across the neighborhoods of Boston. The most expensive neighborhoods for condominiums were in the Back Bay/Beacon Hill, Charlestown, South End, and Central (downtown, including the North End, the West End, and the waterfront) neighborhoods which are the core residential pockets of the City. Four neighborhoods still had "affordable" condominiums with the median price at or below \$115,000. The median citywide condominium price as of third-quarter 2000 was \$219,000, up 27% from the \$173,000 price of the same period in 1999. Sales volume was down by 8%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, Through September of 1999 and 2000
(Not inflation adjusted)

<u>Neighborhood</u>	<u>1999 Condominium Price</u>	<u>2000 Condominium Price</u>	<u>Percent Change</u>	<u>1999 Sales Volume</u>	<u>2000 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$115,400	\$139,900	21%	596	531	(11%)
Back Bay/Beacon Hill	\$266,000	\$357,000	34%	718	631	(12%)
Central	\$226,500	\$288,500	27%	320	272	(15%)
Charlestown.....	\$234,600	\$319,500	36%	282	194	(31%)
Dorchester	\$81,850	\$115,000	41%	150	155	3%
East Boston.....	\$79,700	\$90,750	14%	37	36	(3%)
Fenway/Kenmore	\$134,500	\$170,000	26%	314	239	(24%)
Hyde Park	\$99,900	\$77,500	(22%)	41	22	(46%)
Jamaica Plain.....	\$143,750	\$185,000	29%	256	245	(4%)
Mattapan.....	\$150,000	\$85,000	(43%)	29	17	(41%)
Roslindale.....	\$114,000	\$149,700	31%	84	95	13%
Roxbury	\$89,900	\$145,000	61%	49	66	35%
South Boston	\$162,900	\$223,000	37%	268	308	15%
South End	\$261,500	\$318,810	22%	509	542	6%
West Roxbury.....	\$133,000	\$160,000	20%	127	134	6%
Citywide	\$173,000	\$219,000	27%	3,766	3,449	(8%)

Note 1: These prices exempt all sales of properties of less than \$10,000 and greater than \$1,000,000 because those data distort the data mainly because the low price sales are not considered to be "arms-length" transactions.

Note 2: These are not "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development., December 2001.

Market-rate housing development has accelerated in 1999 and 2000 when Boston permitted 2,105 and 2,655 units of new and rehabilitated housing, respectively. In 1999, 788 of the housing units were market rate or luxury units and in 2000 1,643 were market rate units. New affordable housing developments are also underway. Of the 2000 total of 2,655 housing units permitted for new construction or rehabilitation, 1,012 of the units were considered "affordable" for low – and middle-income families.

Downtown and the Back Bay have seen significant residential building in 2000-2001 with several large developments nearing completion and others still in the planning stages. Major residential projects now under construction include: Millennium Place (350 units); 226 Causeway Street at North Station (108 total units, with 20 being affordable); Trinity Place/25 Huntington Avenue (\$53 million, 21-stories, 102 units); The Belvedere (11-stories, 65 units); and the Colonnade (20-stories, 99 market rate units. Major new residential projects planned, among others, include: Fan Pier (675 total residential units, with 135 being affordable); Hayward Place (no finalist chosen), Liberty Place (468 total units, with 70 being affordable) on Washington Street; Parcel C in Chinatown (251 total units, with 115 being affordable); and Park Residences (Park Plaza 2 with 220 units). Because of the slowing economy at least two downtown residential developments have been halted or delayed, including: Battery Wharf (100 condos) in the North End and 125 Tremont Street (35 condo units) near Downtown Crossing.

In addition, residential developments are also occurring in Boston's neighborhoods. Some of the larger or most notable projects are summarized here. In Allston-Brighton, the Archdiocese is proposing to redevelop the former St. John of God Hospital site into 84 co-op units, 116 assisted living units, 70 beds for a nursing home, and 24 beds for AIDS patients. Also in Brighton, B'nai Brith is proposing to build an addition with 42 housing units onto its existing Covenant House Elderly Complex. In Roxbury, Nuestra Comunidad plans to convert the former Hotel Dartmouth into 59 units of mixed-income housing including 6 artists lofts; demolition and reconstruction began on a new 236-unit Academy Homes II; and a demolition-ddisposition project at 192-194 Humbolt Avenue with 175 units was completed. In Mattapan

the BRA approved plans on construction of the 44 affordable unit Talbot-Bernard Homes project while plans are being pursued for Harvard Commons with 45 units at the former Boston State Hospital site. Foley Building with 116 units is also at that site. In East Boston, the Clippership Wharf project with 400 condominiums is in the review process but may be delayed due to the reconstruction of Maverick Station by the MBTA. Also in East Boston, other housing developments are moving forward: 111 affordable units are being built on Meridian Street as part of the Landfall Community Associates Project; plans are moving on 74 units of elderly housing at the former Barnes School on Border Street; the Maverick Square public housing development received a HOPE VI award for reconstruction; and, Roseland Associates is proposing to redevelop Massport's Pier One into 605 residential units among other uses. In the South End, several housing developments are in the works: the South End Health Center opened recently including 39 condos and 17 town houses; Wilkes Passage Lofts with 136 luxury and 19 affordable condos is still in construction; Rollins Square with 184 units (70% affordable) is also in motion; and other projects are moving forward with several hundred housing units. In Dorchester, 13 moderate-income artist studios will be created at the Walter Baker Lofts in Lower Mills while Corcoran-Jennison is proposing to build a 309-unit apartment complex on Columbia Point. In the Fenway, construction has begun on The Carillion with 31 units; the Susan Bailis Affordable Assisted Living Facility with 82 units is under construction, the BRA approved plans to convert the second floor of the former Buckminster Hotel into 18 apartments, and plans were announced for Brookline and Boylston Street corner. In South Boston, a few developments are in motion: Trammel Crow is pursuing a 565 unit (with 65 affordable units) condo project on D Street and plans are being discussed for 132 units of housing at the former Court Square Press building.

Clearly, the tight housing market of the previous several years has led to the substantial number of housing efforts underway in downtown Boston and in the neighborhoods, with many including "affordable" components.

The Linkage Program

The City implemented its development linkage program in December 1983, in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods. Under the program, amended in 1986 and again in 2001, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to make "linkage payments" in the amount of \$8.62 per square foot of construction over 100,000 square feet, of which \$1.44 per square foot goes to a job training fund and \$7.18 per square foot goes for affordable housing purposes, as of November 30, 2001.

Linkage payments into the Neighborhood Housing Trust are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Under Trust policy, current agreements provide for a seven-year payment period. The seven-member Neighborhood Housing Trust ("NHT") holds public hearings and approves linkage grants to selected projects, except for the housing creation option, which requires approval by the BRA. Since the inception of the linkage program through June 2000, \$58.2 million has been awarded to various affordable housing projects.

Based on data through 1999, this funding allowed the construction or renovation of 5,979 housing units in 89 projects in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 80% (4,812 units) of this total. Of these 89 housing developments created, linkage funds, for the most part, accounted for fewer than 30% of the total development costs of the projects. Only in one instance did linkage funds almost completely fund the project. Linkage money generally is allocated to fund low and moderate income housing through the renovation of old buildings and schools as well as to assist in the creation of new housing. Projects have included rental units; single room occupancy such as housing for pregnant, homeless women and alcohol recovery programs; condominiums; housing cooperatives and home ownership.

Funds for the Neighborhood Jobs Trust ("NJT") come from Jobs' Linkage Fees of \$1.44 per square foot for every foot in excess of the 100,000 square-foot threshold. This component of Linkage came from the 1986 amendment to the legislation and was followed by the creation of the NJT in 1987. Payments are made in two parts, with one half due at the point a building permit is issued, and the balance due one year later, or upon the issuance of an occupancy permit for the building. Over the 1988-2000 time period \$10.9 million of funds had been committed and \$7.2 million of funds have been awarded resulting in the creation

of 84 programs. Services funded under this program include: model program designs for entry-level jobs training, school-to-work transition, family literacy, workplace-based education, private sector involvement in the design and delivery of services, and capacity building in impacted communities. The NJT is particularly interested in supporting new and innovative education and training activities which result in high wage employment, new or non-traditional employment opportunities, and community based projects that respond to specific communities' documented education and training needs. The NJT is committed to providing appropriate services to the residents of neighborhoods where (or adjacent to where) a given development project is located, while ensuring that residents throughout the City have access to new jobs resulting from development. In addition to the \$7.2 million awarded, approximately \$480,000 has been spent on administration, bringing total expenditures from the NJT to nearly \$7.7 million.



OFFICIAL NOTICE OF SALE
CITY OF BOSTON, MASSACHUSETTS
\$100,000,000*
GENERAL OBLIGATION BONDS, 2002 SERIES A

Dated: February 1, 2002

Due: February 1, 2003–2022

SEALED AND ELECTRONIC BIDS
WILL BE RECEIVED BY THE CITY OF BOSTON (THE "CITY")
ON WEDNESDAY, FEBRUARY 13, 2002

UNTIL 11:00 A.M. (EASTERN STANDARD TIME)
AS DESCRIBED HEREIN

CITY HALL, ROOM M-5
BOSTON, MASSACHUSETTS

* Preliminary, subject to change as described herein.

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OFFICIAL NOTICE OF SALE
of the
CITY OF BOSTON, MASSACHUSETTS
relating to
\$100,000,000⁽¹⁾
GENERAL OBLIGATION BONDS, 2002 Series A

SEALED AND ELECTRONIC BIDS for the purchase of the City of Boston's \$100,000,000⁽¹⁾ General Obligation Bonds, 2002 Series A (the "Bonds") will be received by Edward J. Collins, Jr. Collector-Treasurer of the City of Boston, Massachusetts (the "Collector-Treasurer") until 11:00 a.m., Eastern Standard Time, on Wednesday, February 13, 2002. Bids for the purchase of the Bonds may be submitted either (i) by an electronically submitted bid via Dalcomp/Parity ("PARITY"), or (ii) by delivery of a written, sealed bid to the office of the Collector-Treasurer, at City Hall, Room M-5, Boston, Massachusetts 02210-1020. Instructions on how to submit a bid via PARITY are provided for the convenience of prospective bidders in Attachment A of this Notice of Sale. Sealed and electronic bids may be received on a business day thereafter, if necessary, after notification on TM3 (www.tm3.com) ("TM3") not later than 1:00 p.m., Eastern Standard Time, on the day preceding the day designated for receipt of bids (the "Bid Notification Date"). Such notice will specify the date selected for sale, the proposed aggregate principal amount of Bonds to be issued, and any changes to the schedule of maturities or mandatory sinking fund redemptions.

The Bonds will be valid general obligations of the City of Boston (the "City"), for the payment of the principal or redemption price of and the interest on which the full faith and credit of the City will be pledged. The Bonds are payable from ad valorem taxes which may be levied upon all taxable property in the City without limit as to rate or amount.

Electronic Bidding Procedures—Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. The Official Bid Form for purposes of an electronic bid will be the electronic bidding form submitted via PARITY. Subscription to the i-Deal LLC BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder. If any provisions of this Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY, 395 Hudson Street, New York, NY 10014, Attention: PARITY Customer Support (212) 806-8304. For purposes of both the electronic bidding process and the written sealed bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis of Award" below, and in the written form of the Official Bid Form. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Sealed Bidding Procedures—On the date announced, all sealed bids for the purchase of the Bonds will be publicly opened and read by the Collector-Treasurer. Each sealed bid must be submitted on an Official Bid Form, as attached to this the Notice of Sale, without alteration or change and must be enclosed in a sealed envelope and addressed to Mr. Edward J. Collins, Jr., Collector-Treasurer, Office of the Collector-Treasurer, City Hall, Room M-5, Boston, Massachusetts 02201-1020, and marked on the outside in substance "Bid for Bonds." Bids will be accepted or rejected promptly after opening and not later than 3:00 p.m., Eastern Standard Time, on the day selected by the City to receive bids.

⁽¹⁾ Amounts are subject to change as described herein.

Details of the Bonds—The Bonds of the City, in an aggregate principal amount of \$100,000,000⁽¹⁾ will be dated February 1, 2002, maturing or coming due through mandatory sinking fund redemptions, subject to the right of prior redemption as described hereinafter, on February 1 in each of the years 2003 to 2022, inclusive, in the principal amounts described in the table below. The aggregate principal amount may vary by no more than ten percent (10%):

<u>Maturity</u>	<u>Principal Amount</u> ^{(1) (2)}	<u>Maturity</u>	<u>Principal Amount</u> ^{(1) (2)}
2003	\$ 6,090,000	2013	\$ 4,500,000
2004	6,090,000	2014	4,500,000
2005	6,090,000	2015	4,500,000
2006	6,090,000	2016	4,500,000
2007	6,090,000	2017	4,500,000
2008	5,645,000	2018	3,765,000
2009	5,645,000	2019	3,765,000
2010	5,645,000	2020	3,765,000
2011	5,645,000	2020	3,765,000
2012	5,645,000	2022	3,765,000

Details of Bonds—The Bonds will bear interest, calculated on the basis of 30-day months and a 360-day year, at such rate or rates per annum as are specified by the successful bidder therefor in accordance herewith. The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Interest on the Bonds will be payable semiannually on February 1 and August 1, beginning August 1, 2002, and principal of the Bonds will be paid annually on February 1, beginning February 1, 2003, as set forth in the foregoing maturity schedule, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal and interest payments will be the business day next preceding a debt service payment date. Accordingly, debt service will be payable to participants of DTC, shown on the records of DTC and its participants, at the close of business on the day preceding such debt service payment date. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its bid. No CUSIP identification numbers shall be deemed to be part of any Bond or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers. The City shall pay all expenses in connection with the initial assignment and printing of CUSIP numbers. The underwriter will be responsible for applying for and obtaining CUSIP identification numbers for the Bonds.

Redemption—The Bonds maturing on or before February 1, 2012 will not be subject to optional redemption prior to maturity. The Bonds maturing on and after February 1, 2013 will be subject to redemption prior to maturity at the option of the City, on or after February 1, 2012, as a whole or in part at any time, in such order of maturity as the City may determine and by lot within each maturity as selected

(1) Amounts are subject to change as described herein.

(2) May represent mandatory sinking fund redemption amount or portion of stated maturity amount if Term Bonds (as defined in the Official Notice of Sale) are specified.

by DTC and its participants, at the par amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

If less than all of the Bonds of a particular maturity are called for redemption, the Bonds within such maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the City by lot in such manner as the City in its discretion may determine.

Term Bonds (defined below), if any, shall be subject to mandatory sinking fund redemptions on February 1 in the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Notice of redemption of the Bonds, specifying numbers and maturities of the Bonds or portions thereof to be redeemed and the redemption date, will be given by the City not less than 30 days prior to the redemption date by notice mailed to DTC or its nominee as the registered owner of the Bonds. The City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. Notice having been given as aforesaid, the Bonds or portions thereof so called for redemption will become due and payable on the designated redemption date at the redemption price plus accrued interest. If on the redemption date monies are available for the redemption of the Bonds or portions thereof to be redeemed, then interest on such Bonds or portions thereof shall thereafter cease to accrue.

Price, Debt Service and Interest Rates—Each bid for the Bonds must be submitted on the Official Bid Form, and must be for the entire issue at a price not less than 99% or greater than 101% of the par amount of the Bonds, plus accrued interest to the date of delivery. The dollar amount bid by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the final aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder will not change. Bids must state a single interest rate for the Bonds of each maturity. The highest rate of interest stated for any maturity may not exceed eight percent (8%) per annum and the interest rate specified for any given maturity shall be in a multiple of one twentieth (1/20) or one-eighth (1/8) of one percent (1%) per annum and shall be equal to or greater than the rate specified for any Bonds of an earlier maturity. Each Bond shall bear interest from its date to its stated maturity date at the single interest rate specified in the bid. The Bonds shall mature or come due through mandatory sinking fund redemptions on February 1 in each of the years 2003 through 2022, as specified in the foregoing maturity schedule. Bidders may specify on the Official Bid Form that all of the principal amount of Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or more maturities of Bonds (“Term Bonds”) scheduled to mature in the latest of the combined years in each case, and be subject to mandatory sinking fund redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory sinking fund redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify one or more Term Bonds.

Adjustment of Maturity Schedule—The City reserves the right to change the maturity schedule after the determination of the winning bid by increasing or decreasing the principal amount of each maturity by such amount as may be necessary to produce substantially level annual payments of principal, mandatory sinking fund installments and interest on the Bonds. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by the net amount of such change or changes in principal amount of one or more maturities, which net change will not exceed ten percent (10%) of the original aggregate principal amount of the Bonds. The City anticipates that the final maturity schedule will be communicated to the successful bidder by 10:00 a.m. (Eastern Standard Time) on the day following the date of award, provided the City has received the reoffering prices and yields for the Bonds from the successful bidder, as described below under “Certificate of Winning Bidder.” The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the per-bond underwriter’s discount as calculated from the bid and reoffering prices required to be delivered to the City as stated herein. The successful bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Basis of Award—Unless all bids are rejected, all of the Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest net effective interest rate to the City. **Such interest rate shall be**

determined on a true interest cost (TIC) basis. True interest cost (expressed as an annual interest rate) shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to February 1, 2002 and to the price bid, excluding interest accrued to the date of delivery. In the event there is more than one bid specifying the lowest such rate, the Bonds will be awarded to the bidder whose bid is selected by the Collector-Treasurer by lot from among all such bids. It is requested that each bid be accompanied by a statement of such interest cost, computed at the interest rate or rates stated in the bid in accordance with the above method of computation (computed to six decimal places), but such statement will not be considered as part of the bid.

The City reserves the right to reject any or all bids and to waive any irregularity or informality with respect to any bid. Any award by the Collector-Treasurer to a successful bidder is subject to the approval of the Mayor.

Good Faith Deposit—A Good Faith Deposit (“Deposit”) in the form of a certified or cashier’s check or a Financial Surety Bond in the amount of \$1,000,000, payable to the order of the “City of Boston, Massachusetts,” is required for each bid to be considered. If a check is used it must be drawn on a national bank or trust company doing business in the Commonwealth of Massachusetts or the City of New York. If a Financial Surety Bond is used, it must (i) be from an insurance company licensed to issue such a bond in the Commonwealth of Massachusetts, and (ii) identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. Either the check or the Financial Surety Bond must be received by the City at the Collector-Treasurer’s Office, City Hall, Room M-5, Boston, Massachusetts 02201-1020 by 11:00 a.m. on the day selected by the City to receive bids. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser (“Purchaser”) is required to submit its Deposit to the City or its Financial Advisor in the form of a cashier’s check (or wire transfer such amount as instructed by the City or its Financial Advisor) not later than 2:00 p.m., Eastern Standard Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy that Deposit requirement. After the successful bidder has been ascertained and notified, such checks will be promptly returned to the bidders other than the successful bidder. The check of the successful bidder will be cashed by the City and the amount of such check will be applied, without interest, as part payment for the Bonds or will be retained by the City as liquidated damages for the failure on the part of such bidder to comply with the terms of its bid.

Bond Insurance—If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of the bidder and any increased cost of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, shall be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued, shall not constitute cause for failure or refusal by the purchaser of the Bonds to accept delivery of and pay for said Bonds in accordance with the terms hereof. While all expenses associated with municipal bond insurance or commitment therefor will be borne by the bidder, fees paid to Moody’s Investors Service, Inc., Standard & Poor’s, a division of the McGraw-Hill Companies, Inc., and Fitch Ratings for ratings on the Bonds will be borne by the City.

Right to Cancel or Postpone the Submission of Bids; Right to Reject Bids—The City reserves the right to cancel or postpone the submission of bids, or to reject any and all bids. If the City elects to exercise its right to cancel the submission of bids, or its right to reject all submitted bids, this Official Notice of Sale shall become void. The City may, but shall not be required to, solicit bids thereafter, subject to the terms of a revised official notice of sale to be published subsequent to such cancellation or rejection. If the City elects to exercise its right to postpone the submission of bids, it shall provide subsequent notice of the date on which bids will be received after notification on TM3 not later than 1:00 p.m., Eastern Standard Time, on the date preceding the day designated for receipt of bids.

Any bid not complying with the terms of this Official Notice of Sale or specifying any conditions additional to those herein may be rejected. The City reserves the right to waive any irregularity or informality in compliance with the terms of this Official Notice of Sale to the extent permitted by law. Each bid must be submitted using the Official Bid Form.

Right to Modify or Amend Official Notice of Sale—The City reserves the right to modify or amend this Official Notice of Sale, including changing the scheduled maturities or increasing or reducing the

aggregate principal amount of the Bonds and the principal amount of any maturity offered for sale, prior to the bid date. If any modifications occur, supplemental information with respect to the Bonds will be communicated via TM3 not later than 1:00 p.m., Eastern Standard Time, on the day preceding the day designated for the receipt of bids, and bidders shall bid upon the Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified.

Preliminary Official Statement—For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), as of the date of the Preliminary Official Statement, the City deemed the Preliminary Official Statement “final” (as that term is used in paragraph (b)(1) of said Rule 15c2-12) except for the omission of certain information permitted to be omitted by such rule.

Official Statement—The Initial Reoffering Price or Yield for each maturity, as provided by the successful bidder, will be printed on the cover page of the Official Statement. The successful bidder will be required to acknowledge receipt of such Official Statement and will be responsible to the City and its officials in all respects for the accuracy and completeness of such reoffering information. The City assumes no responsibility or obligation for distribution or delivery of any copies of the Official Statement to anyone other than the successful bidder.

The City confirms that, upon delivery thereof in accordance herewith, the Official Statement will be a final Official Statement within the meaning of Rule 15c2-12, and further agrees to provide the successful bidder not later than seven business days after the date of award, as many copies of the Official Statement as the successful bidder may reasonably request in order for the successful bidder to comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (“MSRB”). Up to 350 copies of the Official Statement will be furnished without cost to the successful bidder and further copies, if desired, will be made available to the successful bidder at its expense. The successful bidder, by executing the Official Bid Form, agrees to provide one copy of the Official Statement to at least one ‘nationally recognized municipal securities information repository’ within the meaning of Rule 15c2-12 (a “Repository”) upon receipt of the Official Statement from the City and two copies of the Official Statement (with any required forms) to the MSRB or its designee no later than ten business days following the date of award. The successful bidder shall notify the City as soon as practicable of (i) the date which is the “end of the underwriting period” (as defined in Rule 15c2-12) and (ii) the date of filing of the Official Statement with a Repository and the MSRB or its designee.

If between the date of the Official Statement and the date of delivery the City becomes aware of any fact or event which might or would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, it shall notify the successful bidder thereof, and, if in the opinion of the successful bidder, such fact or event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and manner acceptable to the City and the successful bidder, and will promptly provide the successful bidder with a sufficient number of copies thereof in order for the successful bidder to comply with the requirements of Rule 15c2-12 and the rules of the MSRB.

From the time the Official Statement becomes available until the earlier of (i) ninety (90) days from the end of the underwriting period, as such underwriting period is defined in Rule 15c2-12, or (ii) the time when the Official Statement is available to any person from a Repository, but in no case less than twenty-five (25) days following the end of such underwriting period, if any event affecting the City or the Bonds shall occur of which the City has actual knowledge and which would cause the Official Statement, in the reasonable opinion of the City or the successful bidder, to contain an untrue or incorrect statement of adverse material fact or to omit to state a material fact that would cause the Official Statement to be misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the City will notify the successful bidder and, at the written request of the successful bidder, will forthwith prepare and furnish to the successful bidder such number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the City and the successful bidder) as the successful bidder may reasonably request in order for the successful bidder to comply with Rule 15c2-12 and the rules of the MSRB, which will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is

delivered to a purchaser, not misleading. The expense of preparation, printing and delivery of the first three hundred and fifty (350) copies of any such amendment or supplement shall be paid by the City. For the purposes of, and during the period of time provided by, this paragraph, the City will furnish such information as the successful bidder may from time to time reasonably request.

If the sale of the Bonds is awarded to a syndicate, the City will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter. Any underwriter executing and delivering a bid form with respect to the Bonds agrees thereby that if its bid is accepted it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purpose of assuring the receipt and distribution by each such participating underwriter of the Official Statement.

Continuing Disclosure—In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

Certificate of Winning Bidder—The successful bidder must, by facsimile transmission, manual delivery or overnight delivery received by the City within 24 hours after receipt of bids for the Bonds, furnish the following information to the City to complete the Official Statement in final form, as described below:

- A. The offering prices for the Bonds (expressed as the price or yield per maturity, exclusive of any accrued interest).
- B. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields described in Subpart A above).
- C. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- D. Any other material information necessary to complete the Official Statement in final form but not known to the City.
- E. The cost of insurance if any.

At the time of settlement of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel to the effect that (i) all of the Bonds of each maturity thereof have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the price or yield for each maturity shown on the cover page of the Official Statement plus accrued interest, if any; (ii) based on actual facts and reasonable expectations of the successful bidder as of the date on which its bid for the Bonds was accepted (the "Sale Date"), at least 10% of each maturity of the Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering price or yield for such maturity shown on the cover page of the Official Statement, plus accrued interest, if any; and (iii) such prices did not exceed the fair market value as of the Sale Date. If any maturity was not so offered to the general public, the successful bidder will be asked for additional certifications as to actual and expected Bond sales. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds, the successful bidder will be required to certify as to the net present value interest savings, on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

Documents to be Delivered at Closing—It shall be a condition to the obligation of the successful bidder to purchase the Bonds that, contemporaneously with or before accepting evidence of the ownership of the Bonds and paying therefor, the successful bidder shall be furnished with (a) the approving opinion of Palmer & Dodge LLP, Bond Counsel to the City, substantially in the form presented in Appendix D to the Preliminary Official Statement referenced herein; (b) a certificate of the Collector-Treasurer, delivered solely in reliance on the certificate as to litigation of the Corporation Counsel described below, dated as of the date of delivery of the Bonds, to the effect that there is no litigation pending, or to his knowledge, threatened (i) seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds; (ii) in any way contesting or affecting any authority for or of the validity of the Bonds; (iii) in any way contesting the power of the City to levy and collect taxes to pay the Bonds; (iv) contesting the corporate existence or boundaries of the City; or (v) contesting the title of officials of the City who have acted with respect to the

proceedings for the issuance and sale of the Bonds to their respective offices; (c) a signed copy of the Official Statement relating to the Bonds, which Official Statement shall be dated on or about the date of sale of the Bonds and shall be substantially in the form of the Preliminary Official Statement dated February 5, 2002, with such changes as the City deems necessary or appropriate; (d) a certificate of the Collector-Treasurer to the effect that to the best of his knowledge and belief the Preliminary Official Statement as of the date of award of the Bonds and the Official Statement (excluding therefrom the initial public offering prices (or yields) of the Bonds on the cover page thereto), both as of the date of sale and the date of settlement of the Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (e) a Continuing Disclosure Certificate in the form presented in Appendix E to the Preliminary Official Statement referenced herein; and (f) an opinion of Palmer & Dodge LLP, Bond Counsel to the City, addressed to the successful bidder for the Bonds, to the effect that, they have rendered legal advice and assistance to the City in the course of and have participated in the preparation of the Official Statement and, based upon such participation, they are of the opinion that the information contained in the Official Statement under the captions "The Bonds," "Payment of and Security for the Bonds," "Authorizations and Purposes," "Tax Exemption" and "Legal Matters" does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; in addition, based upon such participation and, except as to the information contained therein under the captions set forth above, although they are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, and have not undertaken to determine the accuracy or completeness of the statements contained therein, during the course of the foregoing no facts have come to their attention which would lead them to believe that the information contained in the Preliminary Official Statement, as of the date of the sale of the Bonds, and the Official Statement, as of the date of sale of the Bonds and the date of settlement of the Bonds (except for the financial statements and other financial and statistical data included therein, the information contained in Appendix A, Appendix B, Appendix F, and Appendix G thereto, the stabilization clause, the initial public offering prices (or yields) of the Bonds on the cover page thereto, and the information contained therein under the captions "Bond Insurance" (if applicable), and "Underwriting", as to which no view need be expressed) contained any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. On the date of settlement of the Bonds, the Collector-Treasurer will be furnished with a certificate of the Corporation Counsel of the City, on behalf of the City of Boston Law Department (the "Law Department"), dated such date of settlement, to the effect that there is no litigation pending, or to the knowledge of the Law Department, threatened (i) seeking to restrain or enjoin the issuance, sale or delivery of the Bonds; (ii) in any way contesting or affecting any authority for or of the validity of the Bonds; (iii) in any way contesting the power of the City to levy and collect taxes to pay the Bonds; (iv) contesting the corporate existence or boundaries of the City; or (v) contesting the title of officials of the City who have acted with respect to the proceedings for the issuance and sale of the Bonds to their respective offices.

Additional Information—Further information concerning the City of Boston, Massachusetts and the Bonds will be contained in the Preliminary Official Statement dated February 5, 2002, to which prospective bidders are directed. Such Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement, this Official Notice of Sale and the Official Bid Form for the Bonds may be obtained online at www.i-DealProspectus.com and from the Office of the Collector-Treasurer, City Hall, Room M-5, Boston, Massachusetts 02201 ((617) 635-4138) or from the City's financial advisor, Public Financial Management, Inc., 99 Summer Street, Suite 1020, Boston, Massachusetts 02110-1240 ((617) 330-6914).

Settlement—It is expected that settlement of the issue at DTC will occur on February 27, 2002 or, in any event, on a business day not later than 30 days after the City awards the Bonds to the successful bidder against payment therefor in Federal Funds at the office of Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts, 02199-7613. The City will notify the purchaser of the Bonds of the date on which the settlement will take place not later than 72 hours after the Bid Notification Date. If the Bonds are not delivered within 30 days after the award of the Bonds, the successful bidder may withdraw its bid and the good faith deposit accompanying its bid shall be returned.

Replacement Bonds Upon Termination or Failure of Book-entry System—In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the Collector-Treasurer determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will authenticate and deliver replacement Bonds in the form of fully registered certificates.

Women & Minority Participation—It is the policy of the City that women's business enterprises and minority business enterprises shall be given appropriate consideration. The City requests and strongly urges bidders to make a good faith effort to include such firms in their management or selling groups or syndicates.

CITY OF BOSTON, MASSACHUSETTS

By: /s/ Edward J. Collins, Jr.
Collector-Treasurer

February 5, 2002

INSTRUCTIONS TO SUBMIT A BID VIA BiDCOMP/PARITY

- You must be a contracted customer of the i-Deal LLC BiDCOMP Competitive Bidding System. If you do not have a contract with BiDCOMP, call (212) 806-8304 to become a customer.
- In BiDCOMP select the City of Boston sale among the list of current sales.
- Go to the bid form page. Keep notice of the time clock and be sure to read all bid specifications on bottom.
- Once you have created and saved a bid in BiDCOMP, click the Final Bid button in BiDCOMP to submit the bid to PARITY.
- Upon clicking the Final Bid button, the bidder will see a message box in BiDCOMP that states: "Do you want to submit this bid to PARITY? By submitting the bid electronically via PARITY, you represent and warrant that this bid for the purchase of the Bonds is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Bonds. The Notice of Sale is incorporated herein by this reference."
- If during bid calculation BiDCOMP warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The BiDCOMP system will submit bids which violate the bid parameters, but the City does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact BiDCOMP/Parity at (212) 806-8304 or (206) 236-3040 with questions or problems.

Summary Bidding Schedule

<u>Date</u>	<u>Time</u>	<u>Occurrence</u>
February 12, 2002	1:00 p.m.	Revisions, if any, to Preliminary Amounts of the Bonds and bid date and delivery date for the Bonds given by notification published on TM3 (www.tm3.com).
February 13, 2002	11:00 a.m.	Deadline for submission of bids via sealed bid or Parity and deadline for submission of Good Faith Deposit. City receives sealed bid or bid via Parity. Successful bidder provides initial reoffering prices to the City within 30 minutes after being notified that such bidder's bid appears to be the apparent winning bid, subject to verification.
	3:00 p.m.	Bids firm until this time; deadline for the City to award the Bonds.
February 14, 2002	2:00 p.m.	Deadline for winning bidder to wire the Good Faith Deposit to the City if the Good Faith Deposit was originally submitted as a Financial Surety Bond.

Preliminary, subject to change.

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OFFICIAL BID FORM

Mr. Edward J. Collins, Jr.
Collector-Treasurer
City Hall, Room M-5
Boston, Massachusetts 02201

_____, 2002
Dated Date of Bonds: February 1, 2002
First Coupon Date: August 1, 2002
First Maturity Date: February 1, 2003

Dear Mr. Collins:

For the aggregate principal amount of \$100,000,000⁽¹⁾ General Obligation Bonds, 2002 Series A, of the City of Boston, Massachusetts (the "City") dated February 1, 2002 (the "Bonds"), as described in the Official Notice of Sale dated February 5, 2002, and the notification given on TM3 on the Bid Notification Date (as described in the Official Notice of Sale), we hereby offer to pay \$_____ (may not be less than 99% or greater than 101% of the par amount of the Bonds), plus accrued interest to date of delivery, for Bonds bearing the following rates of interest per annum and maturing or payable through mandatory sinking fund redemptions, subject to the right of prior redemption as described hereinafter, on February 1 in each of the following years and aggregate principal amounts:

SERIAL BONDS AND MANDATORY SINKING FUND REDEMPTIONS

<u>Due February 1</u>	<u>Principal Amount</u> ⁽¹⁾⁽²⁾	<u>Interest Rate</u> (Complete only for years in which Serial Bonds Mature)	<u>Due February 1</u>	<u>Principal Amount</u> ⁽¹⁾⁽²⁾	<u>Interest Rate</u> (Complete only for years in which Serial Bonds Mature)
2003	\$6,090,000	_____ %	2013	\$4,500,000	_____ %
2004	6,090,000	_____ %	2014	4,500,000	_____ %
2005	6,090,000	_____ %	2015	4,500,000	_____ %
2006	6,090,000	_____ %	2016	4,500,000	_____ %
2007	6,090,000	_____ %	2017	4,500,000	_____ %
2008	5,645,000	_____ %	2018	3,765,000	_____ %
2009	5,645,000	_____ %	2019	3,765,000	_____ %
2010	5,645,000	_____ %	2020	3,765,000	_____ %
2011	5,645,000	_____ %	2021	3,765,000	_____ %
2012	5,645,000	_____ %	2022	3,765,000	_____ %

(Plus accrued interest from February 1, 2002 to date of settlement)

TERM BONDS

\$ _____ Term Bonds maturing on February 1, _____ at _____ % per annum
\$ _____ Term Bonds maturing on February 1, _____ at _____ % per annum
\$ _____ Term Bonds maturing on February 1, _____ at _____ % per annum
\$ _____ Term Bonds maturing on February 1, _____ at _____ % per annum
\$ _____ Term Bonds maturing on February 1, _____ at _____ % per annum

The Bonds maturing on or before February 1, 2012 are not subject to prior optional redemption.

(1) Amounts are subject to change as described in the Official Notice of Sale.

(2) May represent mandatory sinking fund redemption amount or portion of stated maturity amount if Term Bonds (as defined in the Official Notice of Sale) are specified.

COMPUTATION

The following is stated for information only and is not part of this bid. The true interest cost (TIC) of this bid (expressed as an annual interest rate), based on the form of computation as set forth in the Official Notice of Sale, is

_____ %

Please attach an amortization schedule based on your bid (for information purposes only).

We have provided a certified or cashier's check or a Financial Surety Bond in the amount of \$1,000,000 payable to the order of the "City of Boston, Massachusetts," in the case of a check, drawn on a national bank or trust company doing business in the Commonwealth of Massachusetts or in the City of New York, or, in the case of a Financial Surety Bond, from an insurance company licensed to issue such a bond in the Commonwealth of Massachusetts, which amount is to be applied as provided in said Official Notice of Sale.

This Official Bid Form, if and when accepted by the Collector-Treasurer, and approved by the Mayor of the City shall, together with the Official Notice of Sale dated February 5, 2002, relating to the Bonds, constitute a contract to purchase the Bonds as provided in said Official Notice of Sale and herein.

The undersigned hereby acknowledges receipt of the Preliminary Official Statement referred to in the aforesaid Official Notice of Sale.

The names of the underwriters who are associated for the purpose of this bid are listed below or on a separate sheet attached hereto.

Very truly yours,

ADDRESS

CONTACT PERSON

VOICE TELEPHONE NUMBER

FACSIMILE TELEPHONE NUMBER

ELECTRONIC MAIL

I, the Collector-Treasurer of the City of Boston, Massachusetts, hereby award the Bonds to the bidder submitting the bid set forth herein on the terms set forth herein and in the Official Notice of Sale dated February 5, 2002, relating to the Bonds.

Dated: _____, 2002

EDWARD J. COLLINS, Jr.
Collector-Treasurer of the
City of Boston, Massachusetts

The foregoing award is hereby approved.

Dated: _____, 2002

THOMAS M. MENINO
Mayor of the
City of Boston, Massachusetts

RETURN OF CHECK

Return to the above-named bidder of the check of the bidder in the amount of \$1,000,000 referred to in the above bid is hereby acknowledged.

Dated: _____, 2002

By _____